Fraternity Funds SICAV p.l.c.

Interim Combined Financial Statements

For the period from 01 January 2023 to 30 June 2023

Company Registration Number: SV 534

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Directors, Officers and other information

Directors	Dr. Alexia Ellul Mr. Joseph M. Formosa Mr. Michal Kosac Mr. David Grech
Registered Office	Quad Central Q3 level 9 Triq L-Esportaturi, Zone 1 Central Business District Birkirkara CBD 1040 Malta
Company Registration Number	SV534
Administrator	Apex Fund Services (Malta) Limited Quad Central Q3 level 9 Triq L-Esportaturi, Zone 1 Central Business District Birkirkara CBD 1040 Malta
Company Secretary	Apex Corporate & Advisory Services Ltd Quad Central Q3 level 9 Triq L-Esportaturi, Zone 1 Central Business District Birkirkara CBD 1040 Malta
Investment Committee	Mr. Michal Kosac Mr. Joseph M. Formosa Dr. Simon Grima
Execution Broker	J&T Banka, a.s. Sokolovská 700/113a 186 00 Prague 8 Czech Republic
Statutory Auditor	KPMG 92 Marina Street Pieta MT PTA 9044 Malta
Legal Advisor	CDF Advocates 25/23 Vincenti Buildings Strait Street Valletta VLT 1432 Malta

SPECIFIC DISCLOSURES

Information about the Issuer

The name of the Company is Fraternity Funds SICAV p.l.c. (the “Company”).

The registered office of the Company is situated at Quad Central, Q3 Level 9, Triq L-Esportaturi, Zone 1, Central Business District, Birkirkara CBD 1040, Malta.

The Company was incorporated on 21 January 2020. The Company is organised as a multi-fund limited liability investment company with variable share capital under the laws of the Republic of Malta and licensed by the Malta Financial Services Authority (MFSA) with Licence Number SV 534 under the Investment Services Act (Chapter 370 of the Laws of Malta) as a Professional Investor Fund targeting Qualifying Investors.

The Company may establish a number of Sub-funds. Currently the Company has established two Sub-funds: the Fraternity Real Estate Fund and the Fraternity Opportunity Fund. Pursuant to Legal Notice 241 of 2006, the assets and liabilities of each individual Fund comprised in the Company shall constitute a patrimony separate from that of each other Sub-fund of the Company so that the assets of one Sub-fund shall be available exclusively for the creditors and holders of Shares in that Sub-fund.

LEI code:	31570047TIZHAS99P111
ISIN:	CZ0000001367
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The Company is not part of any group and therefore, is not dependent upon any entities.

Principal activity and investments

The Company is an investment company with variable share capital, the sole object of which is the collective investment of its funds in securities and other movable or immovable property, or in any of them, with the aim of eventually spreading investment risks and giving Members the benefits of the results of the management of its funds.

Business Activities

The investment objective of the Real Estate Fund is investing in real estate markets indirectly investing in companies holding real estate assets, in order to seek to realize income and long-term capital appreciation. In the first 6 months of 2021, the fund had purchased 100% of an SPV owning a commercial property on Prague’s high street Václavské náměstí 40.

The investment objective of the Opportunity Fund is to invest in secured and unsecured, listed and unlisted debt securities, listed and unlisted stocks and real estate. The Fund may from time to time invest in money market instruments, collective investment schemes and indices. In the first 6 months of 2023, the fund had no investments.

The Sub-funds may also invest in government and corporate bonds in developed markets. The Sub-funds may also enter into agreements with third party banks that desire to issue fixed income products linked to the Sub-fund’s underlying assets and issue fixed income securities. The Sub-fund may from time to time invest unutilized cash in bonds and currency swaps. Such investments may be with various entities in various markets or industries and in different geographical locations, without limitation. Depending on market conditions, the Sub-fund may also from time to time invest in cash or money market instruments for liquidity purposes.

SPECIFIC DISCLOSURES (CONTINUED)

The Sub-funds are also exposed to market, credit and liquidity risks. Further information are disclosed in the notes to the financial statements.

During the previous year, one of the sub-funds of the Company, Fraternity Real Estate, issued subordinated unsecured yield bond with maturity date on 21.4.2026 with a yield of 5.25% p.a. in the nominal value of CZK 10,000 per bond, ISIN CZ0000001367 (the "Bond"). Bonds represents debt obligations issued in the Czech Republic in accordance with Czech legal regulations. Bonds are traded at the Prague Stock Exchange, a.s. Issued Bonds as at 30 June 2023 amounted to CZK 450 million (2022: CZK 450 million).

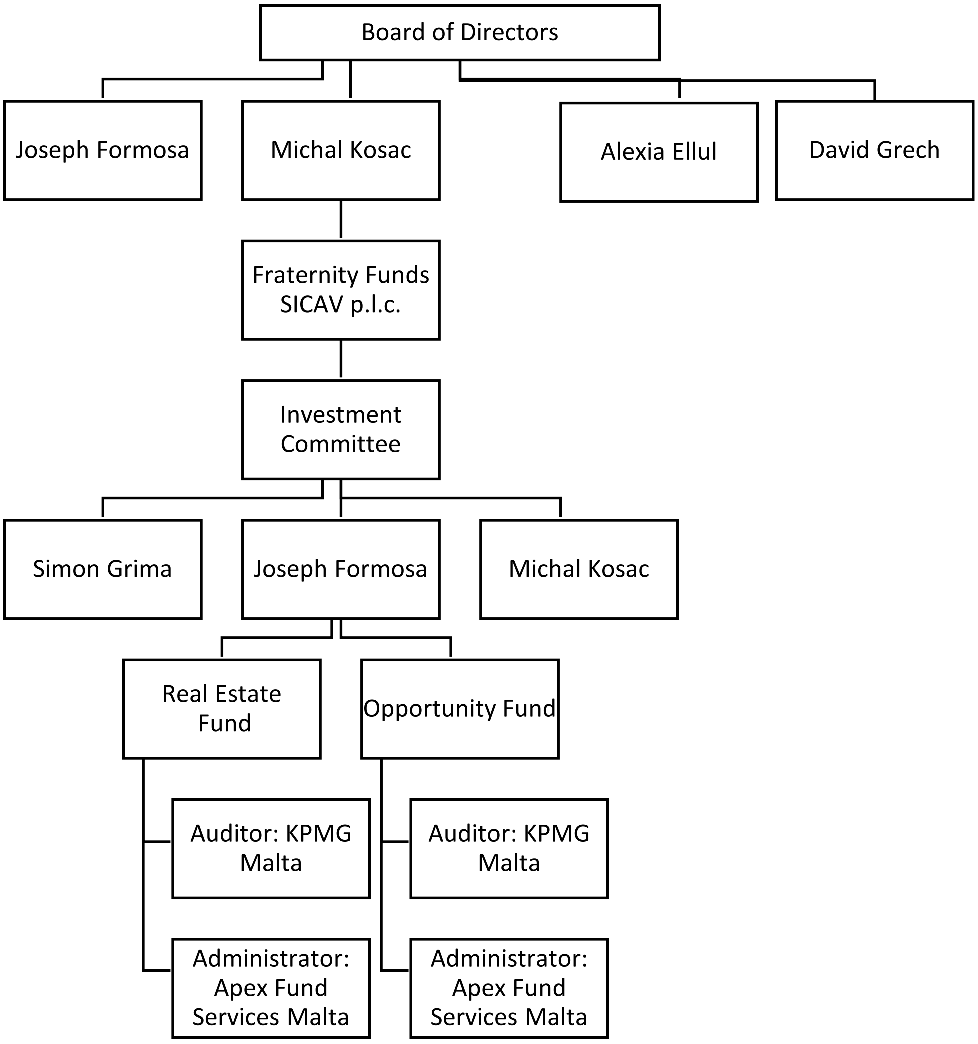
As at 30 June 2023 and 31 December 2022 neither the Bond nor the sub-Fund had a credit rating.

The issuer's website is http://fraternitybond.com.

SPECIFIC DISCLOSURES (CONTINUED)

Functionaries and Officials as at 30 June 2023

Organizational chart



SPECIFIC DISCLOSURES (CONTINUED)

Functionaries and Officials as at 30 June 2023 (continued)

Directors
The affairs of the Company are managed by a Board of Directors. The judicial and legal representation of the Company shall be vested in any two directors acting jointly. As at 30 June 2023, the Company's Board of Directors was composed of four Directors approved by the MFSA and appointed by the holders of Founder Shares upon incorporation of the Company. Each Director shall have one vote. The Board of Directors was at 30 June 2023 composed of the following:

Joseph Formosa
Mr. Formosa has occupied a number of executive and managerial positions at Bank of Valletta p.l.c., Malta and for the last three years of his career with the bank occupied the post of Chief Officer, where he made a significant contribution to the growth and development of the Bank particularly in relation to its mortgage related business. Mr Formosa was also Chairman of the Banks' Card Services Ltd. This company was responsible for all of the Bank's credit card business. Mr Formosa has held the position of General Manager of Lohombus Bank Ltd, and is currently a Consultant with Middlesea Valletta Life Assurance Co focusing particularly on the areas of marketing, management and finance.

Dr. Alexia Ellul
Dr. Ellul is a lawyer by profession and has over 10 years; experience. She has previously worked with GlobalCapital plc, BDO, the Fact Group and Domino Ltd in the areas of legal advice, compliance anti-money laundering and company incorporation.

Michal Kosac
Mr. Michal Kosac is working as a partner at Astone finance, s.r.o., a financial boutique regulated by the Czech National Bank. His primary responsibility lies in creating investment strategies for the company's clients. Michal started his career at Merrill Lynch in New London and Boston where he worked as an analyst in a private wealth management team. He then continued his career at WOOD & Company s.a. in Prague where he was responsible for the initial set up of the WOOD & Company Funds SICAV plc (an MFSA regulated entity) as well as administering its sub-funds and later co-managing the WOOD & Company Central & Eastern European Equity Fund as well as the WOOD Textiles Fund. He is also a member of the Investment Committee of IJC Funds SICAV plc which is regulated by the MFSA. Michal received his degree with honors from Connecticut College, Connecticut, United States.

David Grech
Mr. Grech acts as an independent Non-Executive Director and an independent Investment Committee Member and financial consultant to a number of regulated entities. Since 2013 he has been a lecturer within the Banking and Finance Department of the University of Malta. In 2008, he joined HSBC Securities Services (Malta) Ltd., as Senior Manager Financial Reporting and Analysis. During the period between 2001 and 2008 he worked for Valletta Fund Management Ltd, and later for Valletta Fund Services Ltd, and between 1995 and 2001 he was employed with Bank of Valletta International Ltd. Mr Grech is a qualified Certified Public Accountant and a Member of the Malta Institute of Accountants. He has over 20 years of experience within the Investment Funds industry and also holds a Master's of Science Degree in Finance from the University of Leicester.

SPECIFIC DISCLOSURES (CONTINUED)

Functionaries and Officials as at 30 June 2023 (continued)

Investment Committee
The Board of Directors of the Company shall appoint an Investment Committee for each Fund. The Investment Committee consists of three members, who are individuals. The Investment Committee of Company shall meet at least four times a year with the majority of meetings to be held in Malta, and shall be responsible for the day-to-day management of the Sub-funds, including amongst others the following:

- to monitor and review the investment policy and performance of a Sub-fund;
- to establish and review guidelines for investment by a Sub-fund;
- to issue rules for financial instrument selection and set the portfolio structure and asset allocation;
- to make recommendations to the Board of Directors.

The Investment Committee shall report to the Board of Directors on its activities and the performance of a Sub-fund at least four times a year. The Investment Committee is conducting the day-to-day management of the assets of the sub-Funds and ensure that the assets of the sub-Funds are managed within the investment objectives, policies and restrictions of that sub-Fund. The Board of Directors may from time to time appoint advisers to the Investment Committee. Such advisers shall only provide guidance to the Investment Committee on the availability of assets and their relative prices and all investment decisions shall be undertaken solely by the Investment Committee.

Investment Committee was as at 30 June 2023 composed of the following voting members:
Joseph Formosa (details above)
Michal Kosac (details above)
Simon Grima

Simon Grima
Mr. Grima is currently a lecturer at the University of Malta faculty of Banking and Finance. He started his professional career with Bank of Valletta where he spent 15 years working at the Financial Markets and Internal Audit units. He then joined the MFSA's Securities Unit, and formed part of the compliance team and working groups to ensure the transposition of various EU directives into Maltese regulations. He later moved on to GlobalCapital plc where he headed the Internal Audit, Risk, Legal and Compliance department and then headed the Internal Audit team of MITA (the Government IT agency). Mr. Grima's qualifications include B.Com Management and Banking and Finance (UOM), B.Com (Hons) Banking and Finance (UOM), MSc Financial Management (London), MSc Audit Management and Consultancy (Birmingham City University) and a PhD (UOM). He is also a Fellow of the Institute of Financial Accountants and the Institute of Professional Financial Management.

Annual general meeting
Apart from the appointment or removal of the Directors at the Company's annual general meeting in accordance with the Company's Articles, the Founder Shareholders may also at any time appoint or remove any Director or Directors at an extraordinary general meeting provided that the number of Directors always complies with the requirements prescribed in the Company's Memorandum. A Director need not be a Member.

The Administrator
Apex Fund Services (Malta) Limited has been appointed by the Company as Administrator to the Company and its Sub-funds in 2020, pursuant to an administration agreement ("The Administration Agreement"), to perform certain administrative functions in relation to the Company and the Sub-funds, including inter alia the calculation of the Net Asset Value, accounting services and transfer agency services. The Administrator may, subject to the written approval of the Company, sub-contract parts of its services to third parties.

SPECIFIC DISCLOSURES (CONTINUED)

Functionaries and Officials as at 30 June 2023 (continued)

The Custodian
J&T Banka, a.s. has been appointed as an execution broker and safe-keeper of the Fund.

Conflicts of Interest
The officers of the Company have disclosed the following:

1. Mr. Michal Kosac is a holder of 1 Founder share, a director, an investment committee member and a portfolio manager.
   Fraternity Capital Limited is a holder of 999 Founder shares; Michal Kosac is a director and 99.9% owner of Fraternity Capital Limited.
2. Mr. Joseph M. Formosa is a director and an investment committee member both of the Company as well as other companies.
3. Dr. Simon Grima is a director and an investment committee member of other companies.

Designations, Powers and Rights of Shares

The Founder Shares
The Founder Shares shall rank equally in all respects, shall carry the right to one vote each, and save as provided in Article 26.1 of the Articles of Association, shall not carry a right to participate in any dividends or other distributions of the Company or in the assets of the Company on a winding up (other than the return of the paid up capital after payment of all amounts due to the Investor Shares.

The "A" Ordinary Shares
The Company shall also have a separate class of shares with no nominal value, made up of one hundred (100) "A" Ordinary Shares but which shall not constitute a distinct fund, shall rank equally in all respects, shall not carry the right to vote, and, save as provided in Article 26.1 of the Articles of Association, shall not carry a right to participate in any dividends or other distributions of the Company, if applicable, or in the assets of the Company on a winding up, except repayment of paid up capital following settlement of any and all amounts due to the Investor Shares and Founder Shares. The Board of Directors is authorised for a period of five (5) years, to issue and allot "A" Ordinary Shares up to the maximum amount specified in this paragraph.

SPECIFIC DISCLOSURES (CONTINUED)

Designations, Powers and Rights of Shares (continued)

Article 26.1 of Articles of Association

The Directors may, as they from time to time think fit, and subject to the applicable laws, declare and pay such interim or final dividends in such currency as the Directors may deem appropriate, subject to the observance of any applicable law, on Founder Shares, "A" Ordinary Shares and Investor Shares of a Sub-Fund as appears to the Directors to be justified, subject to any policy statement in relation to dividends in the Offering Supplement of a Sub-Fund: provided that when dividends are not paid on Investor Shares, income will be accrued within the Net Asset Value of the relative Sub-Fund and provided further that distributions on "A" Ordinary Shares and Founder Shares, if any, shall be calculated in a manner that the total amount of distributions on "A" Ordinary Shares and Founder Shares shall be an amount not exceeding the aggregate of the Management Fee and the Performance Fee due under the terms of the Offering Supplement of a Sub-Fund, which amount shall in no way be restricted to the amount of income received or receivable by the Company (from investments made by the Sub-Funds) during the relevant Accounting Period.

The Investor Shares (Redeemable Shares)
The Investor Shares do not carry any voting rights. The Investor Shares rank pari passu among themselves in all respects. The Investor Shares participate in the assets of the Company and in any dividends, and distributions of the sub-Funds upon liquidation. The Investor Shares may be redeemed at the option of the holders thereof according to the Articles of Association annexed hereto and in accordance with any terms and conditions pursuant to which the Investor Shares are issued.

Classes
With the prior approval of the MFSA, the Directors may from time to time establish a sub-Fund by the issue of separate classes of Shares of the Company on such terms as the Directors may resolve. Apart from Investor shares, the Company has issued by way of subscription:

- 999 Founder Shares which are fully paid up and subscribed by Fraternity Capital Limited; and
- 1 Founder Share which is fully paid up and subscribed by Mr. Michal Kosac.

Description of the decision making procedures of the statutory body

Directors and Investment Committee members meet at least 4 times per year in addition to periodic phone calls. All investment decisions are thoroughly discussed and 2/3 of the votes are required to pass any decision. In order to evaluate an investment, a term sheet is prepared which is further discussed from the stand point of viability of fitness within the overall portfolio strategy. Upon diligent discussion, a vote is undertaken and an investment decision is made.

SPECIFIC DISCLOSURES (CONTINUED)

As per the Company's Memorandum and Articles of Association sections 15 to 17, decision making is as follows:

15.1 General Meetings

15.1 All general meetings of the Members in the Company enjoying a right to vote shall be held in Malta, or at such other place as the Directors may determine for any specific general meeting.
15.2 The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year. Not more than fifteen (15) months shall elapse between the date of one annual general meeting of the Company and that of the next provided that so long as the Company holds its first annual general meeting within eighteen (18) months of its incorporation it need not hold it in the year of its incorporation. Subsequent annual general meetings shall be held once in each year and not more than six (6) months after the end of the Accounting Period of the Company as determined by the Directors from time to time at such time and place in Malta as may be determined by the Directors.
15.3 All general meetings (other than annual general meetings) shall be called extraordinary general meetings.
15.4 The Directors may call an extraordinary general meeting whenever they think fit and extraordinary general meetings shall be convened on such requisition, or in default may be convened by such requisitions, and in such manner as provided by the Act.

16. Notice of General Meetings

16.1 At least fourteen (14) Clear Days' notice specifying the place, the day and the time of the meeting, and in the case of special business the general nature of such business (and in the case of an extraordinary general meeting specifying the meeting as such) shall be given in the manner hereinafter mentioned to the Founder Shareholders being the holders of shares entitled to attend and vote.
16.2 The Directors and the Auditors shall also be entitled to receive notice of, and attend and speak at, any general meeting of the Company.
16.3 Every notice convening a meeting to pass an Extraordinary Resolution shall specify the intention to propose the Resolution, and in each notice calling a meeting of the Founder Shareholders, being the members entitled to attend and vote, there shall appear with reasonable prominence a statement that a Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not also be a Member.
16.4 The accidental omission to give notice to, or the non-receipt of notice by, any person entitled to receive notice shall not invalidate the proceedings at any general meeting.
16.5 The fourteen (14) day notice requirement may be waived if the Founder Shareholders holding not less than a majority of the total number of Founder Shares entitled to vote on all matters to be considered at the meeting have waived notice of the meeting or have agreed to a shorter notice period for the meeting.

SPECIFIC DISCLOSURES (CONTINUED)

Designations, Powers and Rights of Shares (continued)

Description of the decision making procedures of the statutory body (continued)

17. Proceedings at General Meetings

17.1 All business shall be deemed special that is transacted at an extraordinary general meeting and also all business that is transacted at an annual general meeting, with the exception of: a. the consideration of the accounts and Statement of Financial Position; b. the reports of the Directors and Auditors, c. the election of Directors in the place of those retiring or resigning or being removed and the fixing of their remuneration, d. the appointment of the Auditors and the fixing of the remuneration of the Auditors (directly or in such manner as the general meeting may determine); provided that the appointment of a new Director shall also require the approval of the MFSA.
17.2 Subject to Article 17.3 hereof, no business shall be transacted at any general meeting unless a quorum is present. Two (2) Members, having the right to vote, present either in person or by proxy, shall be a quorum for a general meeting. A representative of a corporation or company authorised pursuant to Article 18.14 to be present at any meeting of the Company shall be deemed to be a Member for the purpose of the constitution of a quorum.
17.3 If within half an hour from the time appointed for a meeting, a quorum is not present, the meeting, howsoever convened, shall proceed with such Members entitled to attend and vote as are present and they shall constitute a quorum even if there is only one member.
17.4 A Director nominated by the Directors shall preside as chairman at every general meeting of the Company, but if at any meeting none of the Directors be present within fifteen (15) minutes after the time appointed for holding the meeting, or if all the Directors present decline to take the chair, the Founder Shareholders shall choose some Member present to be chairman of the meeting.
17.5 The chairman may with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. When a meeting is adjourned for fourteen (14) days or more, another fourteen (14) days Clear Notice at the least specifying the place, the day and the hour of the adjourned meeting, shall be given as in the case of the original meeting but it shall not be necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting or to attach thereto any documents already sent with a prior notice. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
17.6 At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless before or upon the declaration of the result of the show of hands a poll is demanded by the chairman or by any Members present representing at least one-tenth in number or value of the shares in issue having the right to vote at the meeting. Unless a poll is so demanded, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution; provided that where a resolution requires a particular majority in value, the resolution shall not be deemed to have been carried on a show of hands by the required majority unless there be present at the meeting, whether in person or by proxy, a number of Members holding in the aggregate the required majority as aforesaid.

SPECIFIC DISCLOSURES (CONTINUED)

Designations, Powers and Rights of Shares (continued)

Description of the decision making procedures of the statutory body (continued)

17. Proceedings at General Meetings (continued)

17.7 If a poll is duly demanded, it shall be taken in such manner and at such time and place as the chairman may direct (including the use of ballot or voting papers or tickets) and the result of a poll shall be deemed to be a resolution of the meeting at which the poll was demanded.
17.8 The chairman may, in the event of a poll, appoint scrutineers (who need not be Members) and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.
17.9 In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.
17.10 A poll demanded on the election of a chairman and a poll demanded on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time and place as the chairman directs not being more than thirty days from the date of the meeting or adjourned meeting at which the poll was demanded.
17.11 The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.
17.12 A demand for a poll may be withdrawn and no notice need be given of a poll not taken immediately.

Principles of remuneration

Remuneration of Directors
The Directors of the Company shall receive for their services such remuneration as may be determined by the Company in a General Meeting from time to time or, in relation to a particular Sub-fund, as specified in a Supplement. Each Director's remuneration shall in no case exceed € 10,000 per annum. In addition, each Director may be paid reasonable travelling, hotel and other incidental expenses incurred in attending meetings of the Directors and general meetings of the Company. The amount paid from the assets of each sub-Fund shall be proportionate to the Net Asset Value of each sub-Fund when compared to the net asset value of the Company.

Remuneration of Investment Committee members
The members of the Investment Committee shall receive for their services such remuneration as may be determined by the Directors from time to time. The fee will be paid by the sub-funds. In addition, each Investment Committee member may be paid reasonable travelling, hotel and other incidental expenses incurred in attending meetings of the Investment Committee. The amount paid from the assets of each sub-Fund shall be proportionate to the Net Asset Value of each sub-Fund when compared to the net asset value of the Company.

Remuneration of Founder Shareholders
Founder Shareholders shall not be entitled to any remuneration but may be paid reasonable travelling, accommodation and other incidental expenses incurred in attending general meetings of the Company.

SPECIFIC DISCLOSURES (CONTINUED)

Principles of remuneration (continued)

Monetary and nonmonetary benefits received by Directors and Investment Committee Members for the year

Total monetary income of Directors of the Company for 2023 amounted to € 13,985 (2022: € 27,971). Out of total monetary income, three directors received € 9,735 (2022: € 19,471) and two Investment Committee Members received € 4,250 (2022: € 8,500).

Neither the Directors nor the Investment Committee Members received any non-monetary income.

Corporate governance and the Code

The Issuer has not voluntarily adopted the Corporate Governance Code prepared in 2018 by Czech Institute of Directors together with Deloitte and issued in 2019. This Code is available on the website of Czech Ministry of Finance www.mfcr.cz.

However, the Issuer's Corporate Governance is organized in accordance with the principles outlined in this document, as defined in the internal policies and statutes of the Issuer. In addition to its own policies, the corporate governance is fully in line with applicable law.

The above mentioned code has not been voluntarily adopted because in addition to the simple shareholder structure, the Issuer considers the existing policies of the corporate governance fully adequate and functional.

Information about internal control principles and strategies and the rules for the treatment of risks

The Board of Directors is responsible for implementing adequate administrative and accounting procedures for the preparation of the financial statements. The Board of Directors has responsibility for the planning, management and monitoring of those processes relating, in particular, to management and accounting information flows (including the automated data processing and accounting reporting systems) and for attesting to their adequacy and effective application, as defined by the relevant laws and regulations. The Company also established a position of a compliance officer ensuring the Company complies with its outside regulatory requirements and internal policies.

The Board of Directors identifies and assesses the risks on financial information, identifies and carries out the appropriate controls, targeted at mitigating the possibility that such risks will occur, and monitors and assesses the efficiency of the controls in relation to the financial information process. The Administrator calculates the Net Asset Value ("NAV") of the Sub-funds as at the date of the statement of financial position or at the settlement date of new investors and prepares draft financial statements. NAV calculation and financial statements are approved by the Board of Directors.

Investment committee approves each new investment (at least 2 members of the Investment committee shall approve it), evaluates the performance of the investment in Sub-funds and reports to the Board of Directors on its activities and the performance of each Sub-fund at least four times a year.

SPECIFIC DISCLOSURES (CONTINUED)

Risk Factors and uncertainties that could negatively affect issuer's business include but are not limited to:

Risk factors relating to legal and regulatory matters relating to both the Fund and the Sub-Fund

- Risk of no history of investment performance

  The fund is a newly established alternative investment fund in the form of a multi-fund limited liability investment company with variable share capital established under the laws of the Republic of Malta, incorporated on 21 January 2020, with the Sub-Fund subsequently incorporated on 17 March 2020. For this reason, there is not a sufficiently long history of investment performance to serve investors for the purpose of assessing the future potential returns of the Sub-Fund.

- Risk associated with separate property

  The Fund is a multi-fund limited liability company with variable share capital established under the laws of the Republic of Malta, which creates sub-funds as accounting and asset segregated parts of its assets. The debts owed by the Bonds to the Bondholders can only be satisfied out of the assets of the Sub-Fund as a legally separate assets of the Fund, and not from the Fund's own assets or other Sub-Funds (if any) of the Fund.

  However, as only the Fund and not the Sub-Fund (or any other sub-funds of the Fund) has legal personality, there can be no assurance that the courts in jurisdictions other than the Republic of Malta will respect the aforementioned segregation of assets. If, as a result, the assets of a Sub-Fund are used to pay the debts of another Sub-Fund of the Fund, this could affect the Issuer's ability to repay the Bonds.

- Risk of foreign legal form

  The Fund was established and is governed by Maltese law. The Fund has the legal form of a multi-fund limited liability investment company with variable share capital. This is a legal form which is different from the legal forms of Czech companies and investment funds. The fund creates sub-funds with parts of its assets having separate accounting.

  Maltese legislation differs significantly from Czech legislation. In particular, Maltese law does not require the Issuer's depositary to exercise control over the manner in which the Issuer's assets are invested nor the manner in which the Issuer's assets are valued (control and activity is ensured directly through internal mechanisms). The Depositary holds only certain components of the Issuer's assets in custody. These facts present certain risks, that the Issuer will lose some of its assets as a result of a failure of internal processes or that these assets will be lost in contravention of the investment policy, which may affect its ability to meet its obligations under the Bonds.

SPECIFIC DISCLOSURES (CONTINUED)

Risk Factors and uncertainties that could negatively affect issuer’s business include but are not limited to: (continued)

Risk factors related to the investment strategy of the Sub-Fund

- Risk associated with renting real estate

  The Sub-Fund's assets consist of a 100 % interest in company TD BETA s.r.o. which owns the Property TD Beta (a commercial building in the city centre of Prague conservation area - Wenceslas Square and the corner of Štěpánská Street). The Issuer also provided a loan to Fraternity Capital s.r.o. from the proceeds of the Issue for the purpose of repaying Fraternity Capital's indebtedness (i.e. Fraternity Capital s.r.o debt to Banka Creditas, a.s.). New AR s.r.o. (with Fraternity Capital s.r.o. being its sole shareholder) has provided the New AR Property, a residential building situated in a highly desirable location of Malá Strana - the corner of Hellichova and Nosticova Streets near Kampa, as collateral (the Security Asset) to secure the Issuer's debts under the Bonds and as second in order. The New AR property is not currently leased.

  The sub-fund is therefore indirectly dependent on the income of these two properties. If these properties fail to rent (New AR property) or if rental income decreases (TD Beta property), it may adversely affect its future economic results and its ability to meet its obligations.

  For example, the amount of rent and the value of commercial real estate is generally affected by the development of gross domestic product (GDP), inflation and changes in interest rates in the Czech Republic. Changes in GDP may affect employment conditions, which may make it difficult for tenants to meet their financial obligations to the Sub-Fund and impact the demand for rental space in general. Oversupply of rental space in these locations may also adversely affect rental rates. There can be no guarantee that the current occupancy levels, average rent levels and other terms of the leases of these properties will be sustained. Average rents in the capital city decreased by 2.6 % on a semi-annual basis in 2020. Rents are now at around CZK 300 per sqm (CZK 365 per sqm in the Lesser Town and CZK 334 per sqm in the New Town). The Issuer has not seen a decrease in rent levels.

  However, the Issuer has not observed that any of TD Beta's tenants have run into problems in paying their obligations to TD Beta, nor has there been any negotiation of rent reductions. TD Beta's property is 100 % leased.

- Dependence of the Sub-Fund on the solvency of tenants

  The sub-fund is dependent on the solvency of the tenants of the properties. If tenants fail to meet their obligations to the property companies in the Sub-Fund, there could be a shortfall in the Sub-Fund's income, which the Issuer intends to use to pay its debts under the Bonds. The risk of the solvency of the tenants to which the Sub-Fund may be exposed may have a negative impact on its future economic results and its ability to fulfill its debts from bonds. The Issuer is not aware of any uncertainties that are reasonably likely to have a material effect on the ability of the Lessees to pay.

SPECIFIC DISCLOSURES (CONTINUED)

Risk Factors and uncertainties that could negatively affect issuer's business include but are not limited to: (continued)

Risk factors related to the investment strategy of the Sub-Fund

- Risk related to real estate investments

  The primary investment strategy of the Sub-Fund is to invest in real estate in the Czech Republic (or Slovakia) through (real estate) subsidiaries (primarily Property TD Beta and New AR Property as described in section Risk associated with renting real estate).

  The Sub-Fund is thus indirectly dependent on the value of the New AR real estate. The Sub-Fund is thus exposed to the risks associated with indirect ownership of real estate, which may affect its performance and the value of its assets and therefore the Issuer's ability to repay the Sub-Fund's debts from Bonds.

  The risk may relate to the decrease of property prices, which may be influenced by general economic conditions, such as changes in gross domestic product (changes in gross domestic product can affect employment levels and incomes, which may impact on demand for property and therefore a decrease in property prices and rents), employment trends, inflation and changes in interest rates (changes in interest rates may impact demand for property and therefore cause property prices to fall), excessive overdevelopment and over-vacancy of properties (sufficient supply of properties in a given location and insufficient demand can impact on the demand for property and therefore cause property prices to fall), unfinished construction or delays in construction, increased competition from other property owners, tax increases and operating costs, tenant insolvency and other financial problems, maintenance and insurance costs, uninsured damages, including damages resulting from floods, earthquakes or other natural disasters; or as a result of war or terrorism. Investments in real estate are by their nature illiquid and can be made more difficult to realize than stocks or bonds.

  These risks can lead to a decrease of property prices (which can also affect rents) and thus affect the value of the assets in the Sub-Fund and therefore the Issuer's ability to repay the Bonds from the Sub-Fund.

  As to this date, the Issuer is not aware of any uncertainties that are reasonably likely to have a significant impact on the prospects of the Sub-Fund and its investment strategy.

- Property acquisition and valuation risk

  In addition, the Sub-Fund may face the risk that the purchase price paid for the acquisition of real estate (or interests in real estate companies) was (in the case of the TD Beta Properties) taking in the account expected rental income of the Properties too high, meaning the risk that actual or legal defects in the Properties will be found which were not present or identified at the time of acquisition and not taken into account in determining the purchase price.

  However, as to this date, the Issuer is not aware of any facts or defects that would have a significant effect on the expected rental income from the TD Beta Property or the value of the TD Beta Property.

SPECIFIC DISCLOSURES (CONTINUED)

Risk factors related to the investment strategy of the Sub-Fund (continued)

- Financing risk

  The TD Beta property is pledged to UniCredit Bank Czech Republic and Slovakia, a.s. ("UCB"), and for the purpose of securing TD Beta's debts under the senior financing provided by this bank. If the debts under this financing are not duly and timely repaid, there is a risk that TD Beta, which is held by the Sub-Fund, will be forced to sell the property in order to repay its debts to the bank, or, alternatively, that if the bank realizes its, TD Beta, which is owned by the Sub-Fund, will cease to be the involuntary owner of the properties. In the event that the proceeds from the sale of the properties or the realization of Security Assets are insufficient to both to repay both the claims of UCB and the claims against the owners of the Bonds, the repayment of the debts will be jeopardized on the Bonds.

- Acquisition loan refinancing risk

  In the case of financing acquisitions through loans from third parties (mainly banks), it can be assumed that the real estate companies held in the Sub-Fund will not be able to repay their acquisition loan debts in full to the extent of the rental income by the stated maturity date and will need to refinance the loan over time or extend its maturity. In doing so, the Sub-Fund may face the risk that the Issuer will not be able to refinance further financing (whether in the form of a loan, a new bond issue or otherwise) or to refinance on the same terms or better than the existing terms or refinance by (partial) sale of assets.

- Concentration risk

  There is a concentration risk arising from the fact that the majority of the Sub-Fund's assets have been invested in real estate companies in the Czech Republic (currently the Issuer is focusing on real estate companies in Prague). Such concentration may cause greater losses in the value of the Issuer's assets than if the Issuer's assets were invested in different types of assets or different locations in the Czech Republic (not exclusively in Prague), within different sectors, regions or industries, which may affect the Issuer's ability to repay the Bonds of the Sub-Fund.

Risk factors relating to the Issuer's financial position

- Liquidity risk

  The Sub-Fund may be exposed to liquidity risk if it fails to occupy the premises in a timely and/or sufficient manner, to be leased by suitable tenants, or such tenants fail to pay rent properly and on time, which should provide the Sub-Fund with regular income available for the repayment of bank loans, loans to the Sub-Fund (including related interest), other financing debts, if any, and related interest; and profit-sharing payments.

  The Sub-Fund may be exposed to contingent liquidity risk arising from loan agreements under which in the event of a breach of specified contractual provisions, the lender may require the loans to be repaid, which may result in additional need for funds earlier than the original contractual maturity. Similarly, the Sub-Fund may be exposed to liquidity risk in the event that the Issuer is required to prepay Bonds.

  The Sub-Fund may also be exposed to liquidity risk in connection with investor requests to redeem investment shares. In such a case, there may be a need to sell assets in the Sub-Fund at short notice, generally for less advantageous price. Redemption of the Investment Shares is subject to the expiry of 2 years from the date of subscription of the Investment Shares.

SPECIFIC DISCLOSURES (CONTINUED)

Risk factors relating to the Issuer's financial position (continued)

- Liquidity risk (continued)

  A redemption request may be made no later than 12 months before the expected redemption date, which is always the last working day of the relevant calendar year (unless the Board of Directors of the Fund decides otherwise).

  The Board of Directors of the Fund may decide to suspend the determination of the Net Asset Value and thereby suspend the redemption of investment shares, inter alia, in the event that more than 15 % of the investment shares are called for redemption. The Board of Directors of the Fund must decide to suspend redemptions if requested by the Maltese regulator.

- Risk of repayment of debt to Fraternity Capital

  The Sub-Fund is exposed to the risk of non-payment of the claim granted from the proceeds of the Issue against Fraternity Capital in the amount of CZK 70,500,000 as this claim is not secured. The only material asset of Fraternity Capital is 100 % of the shares in New AR. There is no guarantee that by the time of the Bond's maturity date Fraternity Capital will receive funds from the sale of the share or from the sale of the New AR Property by New AR, or that New AR will arrange for a tenant of the New AR Property to receive rental income from the Property.

Risk factors related to the internal affairs of the Fund

- Risk associated with the method of remuneration of owners of founder shares and management

  The method of remuneration of the owners of the founder shares and the management of the Fund, which grants to these persons for the right to special remuneration for the performance of the Sub-Fund under specified conditions, may motivate these persons to make more speculative investment decisions than they would have made without such remuneration. Given that the special performance fee is calculated on the basis of economic indicators (namely the development of the value of the Portfolio), which takes into account both the Sub-Fund's actual and expected returns, it may be awarded to the persons concerned even if the Sub-Fund does not ultimately realize returns of that amount. That risk may affect the value of the assets in the Sub-Fund, which may be less than the amount owed on the Bonds, which may adversely affect the Issuer's ability to repay the Bonds from the Sub-Fund.

- The Fund does not have an Audit Committee

  The Fund does not have an independent audit body as it has not established a special audit committee. The audit activity is entrusted to the Fund's Investment Committee, whose members, with the exception of Simon Grima, are the same as those of the Fund's Board of Directors.

SPECIFIC DISCLOSURES (CONTINUED)

Risk factors relating to the Bonds

- Risk of default

  Bonds, like any other monetary debt, are subject to the risk of default. Under certain circumstances, the following may occur, the Issuer may be unable to pay interest on the Bonds or their nominal value. In the event of redemption of the Bonds by the Issuer in the market, the price paid to the Bondholders for the redeemed Bonds may be less than the amount of their original investment and, in certain circumstances, such value may be zero. The ability of the Issuer to redeem the nominal value of the Bonds depends on the value of the properties owned by Issuer through its subsidiaries and their ability to generate free cash flow for the Issuer, as well as on the ability of external debtors (in particular tenants) to meet their debts to the Issuer.

  It is not assumed that the Issuer will repay the full nominal value of the Bonds without further refinancing before the final maturity date of the Bonds. It is therefore clear that the Issuer will not be able to repay its debts to the owners of the Bonds in full from the rental income from the Properties and will need to refinance such debts over time. In doing so, the Issuer may face the risk that it will be unable to refinance by further financing (whether in the form of a loan, a new bond issue or otherwise) or refinance on terms equal to or better than existing, or refinance by (partial) sale of assets. If the refinancing is by selling the real estate, it cannot be excluded that the proceeds of such sale will not be sufficient to cover all of the Issuer's debts.

- Interest rate risk

  The owner of a Bond whose yield is determined by a fixed interest rate is exposed to the risk of a fall in the price of such Bond due to changes in market interest rates. While the nominal yield for a period of the life of the Bonds is fixed, the current market interest rate in the financial market generally changes daily. With change in the market interest rate, the price of the Bond also changes, but in the opposite direction.

  Therefore, if the market interest rate increases, the price of the Bond will generally fall to a level where its yield is approximately equal to the market interest rate. If, on the other hand, the market interest rate decreases, the price of the Bond will normally increase to a level where its yield is approximately equal to the market interest rate. This may adversely affect the value and development of an investment in Bonds.

- Prepayment risk

  If the Bonds are redeemed early in accordance with the terms of issue of the Bonds prior to the maturity of the Bonds, the Bondholder is exposed to the risk of a lower-than-expected return due to such early redemption.

- Liquidity risk on the Regulated Market BCPP

  The Issuer shall apply for admission of the Bonds to trading on the Regulated Market BCPP. Regardless of the acceptance Bonds to trading on a Regulated Market, there can be no assurance that a sufficiently liquid secondary market for the Bonds will develop or, if developed, that such secondary market will be sustained. The fact that Bonds may be admitted to trading on a regulated market will not necessarily result in greater liquidity in such Bonds as compared to Bonds not admitted to trading on a regulated market. In any illiquid market an investor may not be able to sell the Bonds at any time at an adequate market price. This fact may have an adverse effect on the value of investment in the Bonds.

SPECIFIC DISCLOSURES (CONTINUED)

Risk factors relating to the Bonds (continued)

- Risk of enforcement in other jurisdictions

  In the event of a claim under the Bonds, the Bondholder is entitled to bring an action or commence any proceedings against the Issuer under the applicable laws of the Republic of Malta. As a result, there is a risk that it may be difficult for the Bondholder to bring any action or proceedings abroad and seek judgments against the Issuer in foreign courts or to enforce judgments against the Issuer issued by such courts which are based on the provisions of the laws of the Republic of Malta.

- Inflation risk

  Prospective investors in the Bonds should be aware that the fair value of an investment in the Bonds may decline at the same time as inflation reduces the value of the currency. As the Bonds do not contain an anti-inflationary clause, inflation causes the real yield on the Bonds to fall. If such situation arises and inflation exceeds the level of nominal yields on the Bonds, the value of the real yields on the Bonds will be negative.

- Currency risk

  If a Bondholder pursues an investment return on a Bond in a currency other than the Czech crown, the Bondholder is exposed to the risk of changes in exchange rates which may affect the final yield of the investment in the Bond. A change in the exchange rate of such other currency against the Czech crown will result in a corresponding change in the principal amount of the Bond denominated in that reference currency. For example, if the initial exchange rate of the foreign currency decreases, the foreign currency will depreciate and the value of the Czech crown increases, then the price of the Bond denominated in the foreign currency and the principal value of the Bond expressed in Czech crown will decrease.

- Fee risk

  The overall return on investment in the Bonds may be affected by the amount of fees charged by the intermediary purchase or sale of the Bonds, the person keeping the records of the Bonds, the person settling the trade with the Bonds or any other person. Such person may charge fees for establishing and maintaining an investment account, for arranging the transfer of the Bonds, services related to the custody or registration of the Bonds, etc. The Issuer recommends that prospective investors familiarize themselves with the documents on the basis of which fees will be charged in connection with the Bonds. The fees charged have a negative effect on the value of an investment in the Bonds.

- Risk of legality of purchase of the Bonds

  Prospective investors in the Bonds should be aware that the purchase of the Bonds may be subject to legal restrictions affecting the validity of their acquisition. Neither the Issuer nor the Manager has or accepts responsibility for the legality of the acquisition of the Bonds by a potential investor, whether under the law of its incorporation or the law of the jurisdiction in which it operates (if different). A potential investor cannot rely on the Issuer or the Manager in connection with its determination as to the legality of its acquisition of the Bonds. In the event that a prospective purchaser of the Bonds purchases the Bonds in violation of the statutory restrictions applicable to it, then such acquisition of the Bonds could be in breach of the law and the Issuer would be obliged to pay the amount that the purchaser has paid to the Issuer for the Bonds as unjust enrichment. The laws of other states applicable to the prospective purchasers of the Bonds may treat such acquisition of the Bonds in violation of the legal restrictions and may also have other legal consequences.

SPECIFIC DISCLOSURES (CONTINUED)

Risk factors relating to the Bonds (continued)

- Risk of reduction of the order for subscription of the Bonds

  The Manager shall be entitled to the amount of Bonds specified in the orders/instructions of investors at its discretion to reduce the amount, and any overpayment, if any, will be refunded without undue delay to the Investor's account. In the event of shortening of the order, the prospective investor will not be able to make an investment in Bonds in the amount originally intended. A shortening of the order may therefore have a negative effect on the value of the investment in the Bonds.

Risk factors related to Security

- Limitations to satisfy the Bondholder's claims from Security proceedings

  The value of Security for the debts on the Bonds established under the Terms and Conditions of Issue is not sufficient to satisfy all Debts under the Bonds. This value is furthermore dependent at any given time on market and economic conditions, including the availability of suitable buyers. Given the nature of the subject of the Security, the subject matter of the Security may be illiquid and may not have a readily ascertainable market value and value to third parties may be less than the value to the pledgor. The value of the Security may decline over time or may be impaired in the future due to changing economic conditions, failures to business strategy, competition and other future trends. As a result, secured creditors may not be satisfied in the event of a sale of relevant Security Assets. If New AR sells the New AR Property or Fraternity Capital sells the New AR Interest (which is subject to certain conditions set in Sections 10.1 and 10.4 Issue Terms), the relevant lien will expire and the Fraternity Loan will be repaid (which will also terminate such security over the Bonds). The Issuer expects that in such case the value of the Security comprising the Lien on the Pledged Account against the amount on the Bonds is minimal (to negligible). In this case, there is no obligation to use the funds received from the Fraternity Capital and/or New AR to prepay the Bonds.

Risk factors relating to the Security Agent

- The Security is provided for the benefit of the Bondholders, but their rights in the Security will be applied and exercised by the Security Agent on its own behalf

  The Security is granted in favor of the Bondholders in the name of the Security Agent, provided that the Security Agent will exercise the rights of the Bond Owners under the Security on its own behalf. The Security Agent is thus the only party to the security documentation, alongside the relevant security provider, with the result that only Security Agent may exercise and enforce any rights under the Security. No Bondholder shall be entitled to exercise such rights independently. In the event that the Security Agent is in default in exercising or exercise of any rights under the Security, the Bondholders may incur damages in connection with such delay without Bondholders have had the opportunity to exercise or enforce such rights independently. The Security Agent shall use any proceeds of the Security first to satisfy payments due to the Security Agent (including its remuneration up to 3 % of the proceeds and payment of the pro rata amount of indemnification paid to the Security Agent). The foregoing may result in Bondholders receiving less benefit from the proceeds of the exercise of the Security.

SPECIFIC DISCLOSURES (CONTINUED)

Risk factors relating to the Security Agent (Continued)

The statutory regulation of the Security Agent was added to the Bond Act by Amendment No. 307/2018 Coll. As this is the first legal regulation of this institute in the Czech legal system, there is as yet no court decision-making practice or generally accepted legal interpretation. Absence of relevant case law and the inconstancy of the new institute of the Security agent – and the resulting legal uncertainty – may have a negative impact on the performance of the debts arising from the Bonds, especially if the competent court decides that a provision of the Bond Act should be interpreted differently than it is currently reflected and elaborated in more detail in the relevant article or articles of the Terms and Conditions of Issue.

- Risks associated with a new Security Agent

  The Issuer cannot ensure that a Security Agent will be available upon appointment or replacement of the Security Agent, there will be an Agent for Reinsurance who will have sufficient experience in performing the duties of a Reinsurance Agent or similar role, although the Issuer will itself exercise good faith and due care in the selection of the Security Agent. This problem is due to the fact that this institution is enshrined in the Czech Republic by the above-mentioned amendment to the Act on Bonds effective as of January 4th, 2019, where there is no judicial review of the institution of the Security Agent, generally accepted legal interpretation or market practice. This, in the Issuer's experience in dealing with financial institutions in the financial markets may lead to institutions that normally perform this role in the international capital markets may not be willing to accept the role of Security Agent. As to this date the Security Agent is J&T BANKA, a.s.

- The Security Agent may require, in connection with instructions from the Bondholders' meeting, that Security or promise to indemnify will be provided

  The Security Agent shall, subject to the reservations set out in the Issue Terms and Conditions, exercise any right or refrain from exercising any right due to it as Security Agent in accordance with any instruction approved by the Meeting by a simple majority. The Security Agent may require, in connection with an instruction approved by a meeting of Bondholders to be provided with sufficient security or indemnification by the Bondholders or the Issuer in the event of any property or non-property damage. If Security or indemnity is provided or promised to the Security Agent by the Bondholders and such value is subsequently paid, there is a risk that the Bond Owners may lose a portion of their investment.

- Restrictions on the ability of the Security Agent to make decisions regarding the enforcement of the Security in the event of the Issuer's bankruptcy

  In the event that insolvency proceedings are commenced against the Issuer and the Issuer is declared bankrupt, the enforcement of the Security will be subject to the rules and restrictions set out in Act No. 182/2006 Coll., Insolvency Act, as amended, in particular, the realization of any Security will be predominantly through appointed insolvency administrator.

SPECIFIC DISCLOSURES (CONTINUED)

Risk factors relating to the Security Agent (continued)

- Limited liability of the Security Agent

  The Security Agent shall not be liable to the Bondholders for (i) the invalidity, ineffectiveness or unenforceability of Security, (ii) the contents of any Security Agency Agreement and any other documents relating to the Security, including the agreed methods of enforcement of the Security, (iii) the chosen method of enforcement of the Liens, to the extent that such method is consistent with the resolution of the Meeting or the Pledge Agreements, (iv) the acts or omissions of in connection with the Security, nor for (v) any prejudice caused to the Issuer or the Bondholders in performance of its duties as Security Agent, except for any injury caused intentionally or through gross negligence by the Security Agent. However, the obligation of the Security Agent to indemnify the Bondholders for such damage shall be to the extent permitted by law and shall be limited so that (i) the damages shall not include lost profits and (ii) the amount of damages to be indemnified by the Security Agent shall not exceed the amount of its compensation received under the Security Agency Agreement or the side arrangement thereto.

Comparison with the corresponding period of the preceding year

Fraternity Funds' Real Estate Fund owned 100% of a SPV holding commercial property on Prague's high street in 2022 and that remained the same for the financial period 2023. Additionally, the sub-fund invested in Corporate Bonds of JT Global Finance during the current period.

Fraternity Funds' Opportunity Fund had no investments in 2022 and that remained the same for the financial period 2023.

Key Figures of the Company for the period

Information about profit before tax for the period can be found in the Statement of Comprehensive Income in the financial statements which forms part of Interim Report. The result corresponds to the expectation and reward attributed to the sub-Fund for the issue of the bonds.

Information about the Company's total assets and financial situa tion as at 30 June 2023 can be found in the Statement of Financial Position in the financial statements which form part of the Interim Report.

Evaluation of the business environment during reporting period 2023

Both sub-Funds performed in line with Investment Committees' expectations.

Expected economic situation in next year

In 2023, the Company expects to acquire more immovable property and to make a private equity investment in the Fraternity Opportunity Fund.

Remuneration charged by auditors over the accounting period

The statutory auditor's remuneration (including VAT) for the period amounted to € 21,033 (2022: € 35,931). As at 30 June 2023, the oustanding auditor's remuneration amounted to € 18,160 (2022: € 36,893).

SPECIFIC DISCLOSURES (CONTINUED)

Legal and arbitration proceedings

The Company is not a party to any litigation or arbitration proceedings.

Major contracts and agreements executed on behalf of the Company during the period 2023

Fraternity Funds SICAV p.l.c. and its sub-funds, namely Fraternity Real Estate Fund and Fraternity Opportunity Fund, have not entered into any major contract that would affect its regular course of business or pose any risk to its business objective.

Issuer's subsidiaries and branches

The Company did not have an organizational unit located abroad in 2023.

Acquisition of own shares (treasury shares)

During the period, no acquisition of own shares (treasury shares) occurred.

Expenses incurred in connection with research and development

The Company did not incur any research and development expenditure during the period.

Investment in tangible and intangible fixed assets

The Company did not make any significant investments in tangible and intangible fixed assets during the period.

Environmental and labor relations activities

The Company complies with all legal requirements in the field of environmental protection and complies with applicable legislation in the field of labor relations.

True and fair view statement

The Board of Directors of Fraternity Funds SICAV p.l.c. declares that the Interim Report and financial statements provide a true and fair view of the financial position, business activities and results of the Company for the past accounting year and to the best of its knowledge, all the information and data in the Interim Report and financial statements correspond to the prospects for future financial and business performance and no significant circumstances have been omitted.

Number of employees as of 30.06.2023

Fraternity Funds SICAV p.l.c. employs zero (0) employees. All provided services are on contract basis.

Net turnover as of 30.06.2023

Fraternity Funds SICAV p.l.c. does not generate net turnover figures in its financial statements.

SPECIFIC DISCLOSURES (CONTINUED)

Information source

All important information regarding the company, bonds issued, coupons paid and any other relevant notifications can be found on http://fraternitybond.com.

We, the directors of Fraternity Funds SICAV p.l.c. registration no. SV 534, namely Michal Kosac, Dr. Alexia Ellul, Joseph M. Formosa and David Grech confirm that to the best of our knowledge the Interim Report, issued as at 30 June 2023 gives a true and fair view of the Issuer's financial position, business activities and financial results over the past six months and of the prospects for future developments of the Issuer's financial situation, business activities and financial results.

Approved by the Board of Directors on 15 September 2023 and signed on its behalf by:

Mr. Michal Kosac
Director

Mr. David Grech
Director

Fraternity Funds SICAV p.l.c.

Statement of Financial Position
As at 30 June 2023

	Notes	**The Company 30.06.2023 €**	The Company 31.12.2022 €
Non-current assets			
Loan and interest receivable	17	**3,436,592**	3,273,576
Financial assets at fair value through profit or loss	11	**30,622,173**	31,288,995
Total non-current assets		**34,058,765**	34,562,571
Current assets			
Cash and cash equivalents	5	**19,741**	8,530
Prepaid expenses		**40,505**	17,794
Total Current assets		**60,246**	26,324
Total assets		**34,119,011**	34,588,895
Equity and Liabilities			
Share capital and Reserves			
Share capital	6	**1,000**	1,000
(Accumulated losses)/retained earnings		**(109)**	435,555
Total equity		**891**	436,555
Liabilities			
Non-current liabilities			
Bonds issued	12	**18,954,965**	18,653,622
Total Non-current liabilities		**18,954,965**	18,653,622
Current liabilities			
Audit fees payable	13	**18,160**	36,893
Interest payable	12	**190,848**	701,842
Other payables	13	**4,137**	38,053
Administration fees payable		**9,830**	18,231
Subscription received in advance		**-**	95,000
Total Current liabilities		**222,975**	890,019
Total liabilities		**19,177,940**	19,543,641
Net assets attributable to holders of redeemable shares	7	**14,940,180**	14,608,699
Total Equity and Liabilities		**34,119,011**	34,588,895

The accompanying notes are an integral part of these financial statements. These also include more detailed information about the amounts attributable to the founder shareholders and the amounts attributable to unit holders of investor shares in the next two pages.

The financial statements on pages 26 to 54 were approved and authorised for issue by the Board of Directors on 15 September 2023 and were signed on its behalf by:

Mr. Michal Kosac
Director

Mr. David Grech
Director

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Statement of Financial Position (continued)
As at 30 June 2023

The following table provides more detailed information about the amounts attributable to the founder shareholders and amounts attributable to unit holders of investor shares. This information is being presented in accordance with the prevalent local practice.

		Attributable to founder shareholders	Attributable to:	
			Opportunity Fund	Real Estate Fund
	Notes	30.06.2023 €	30.06.2023 €	30.06.2023 €
Non-current assets				
Loan and interest receivable	17	**-**	**-**	**3,436,592**
Financial assets at fair value through profit or loss	11	**-**	**-**	**30,622,173**
Total non-current assets		**-**	**-**	**34,058,765**
Current assets				
Cash and cash equivalents	5	**46**	**6,190**	**13,505**
Due from sub funds		**845**	**39,352**	**26,069**
Prepaid expenses		**-**	**2,235**	**38,270**
Total Current assets		**891**	**47,777**	**77,844**
Total assets		**891**	**47,777**	**34,136,609**
Equity and Liabilities				
Share capital and Reserves				
Share capital	6	**1,000**	**-**	**-**
(Accumulated losses)/retained earnings		**(109)**	**-**	**-**
Total equity		**891**	**-**	**-**
Liabilities				
Non-current liabilities				
Bonds issued	12	**-**	**-**	**18,954,965**
Total Non-current liabilities		**-**	**-**	**18,954,965**
Current liabilities				
Audit fees payable		**-**	**40**	**18,120**
Interest payable	12	**-**	**-**	**190,848**
Other payables	13.5	**-**	**1,874**	**2,263**
Due to Sub-funds	8	**-**	**26,069**	**39,352**
Due to founder shareholders	8	**-**	**5**	**840**
Administration fees payables	13.3	**-**	**5,350**	**4,480**
Total Current liabilities		**-**	**33,338**	**255,903**
Total liabilities		**-**	**33,338**	**19,210,868**
Net assets attributable to holders of redeemable shares	7	**-**	**14,439**	**14,925,741**
Total Equity and Liabilities		**891**	**47,777**	**34,136,609**

The above information is an integral part of the notes to these financial statements.

Statement of Financial Position (continued)
As at 30 June 2023

The following table provides more detailed information about the amounts attributable to the founder shareholders and amounts attributable to unit holders of investor shares. This information is being presented in accordance with the prevalent local practice.

	Notes	Attributable to founder shareholders 31.12.2022 €	Attributable to unit holders of investors shares of: Opportunity Fund 31.12.2022 €	Real Estate Fund 31.12.2022 €
Non-current assets				
Loan and interest receivable	17	-	-	3,273,576
Financial assets at fair value through profit or loss	11	-	-	31,288,995
Total non-current assets		-	-	34,562,571
Current assets				
Cash and cash equivalents	5	891	5,770	1,869
Due to sub funds		-	39,352	-
Management and performance fee receivable	8	435,664	-	-
Prepaid expenses		-	910	16,884
Total Current assets		436,555	46,032	18,753
Total assets		436,555	46,032	34,581,324
Equity and Liabilities				
Share capital and Reserves				
Share capital	6	1,000	-	-
Retained earnings/(accumulated losses)		435,555	-	-
Total equity		436,555	-	-
Liabilities				
Non-current liabilities				
Bonds issued	12	-	-	18,653,622
Total Non-current liabilities		-	-	18,653,622
Current liabilities				
Audit fees payable		-	183	36,710
Interest payable	12	-	-	701,842
Performance fees payable	13.2	-	-	434,100
Other payables	13.5	-	7,476	30,577
Due to Sub-funds	8	-	-	39,352
Management fees payables	13.1	-	1,564	-
Administration fees payables	13.3	-	8,240	9,991
Subscription received in advance		-	-	95,000
Total Current liabilities		-	17,463	1,347,572
Total liabilities		-	17,463	20,001,194
Net assets attributable to holders of redeemable shares	7	-	28,569	14,580,130
Total Equity and Liabilities		436,555	46,032	34,581,324

The above information is an integral part of the notes to these financial statements.

Statement of Comprehensive Income
For the period ended 30 June 2023

	Notes	The Company 30.06.2023 €	The Company 30.06.2022 €
Income			
Net loss on foreign exchange		**(220,082)**	(66,274)
Net gain from financial assets at fair value through profit or loss	10	**589,979**	211,236
Interest income calculated using the effective interest method	14	**106,953**	100,277
Total Revenue		**476,850**	245,239
Expenditure			
Administration fees	13.3	**(17,707)**	(15,181)
Audit fees	13.4	**(21,033)**	(18,447)
Directors and investment committee fees	8	**(13,985)**	(26,071)
Other operating expenses	16	**(44,316)**	(31,353)
Total operating expenses		**(97,041)**	(91,052)
Operating gain before finance costs		**379,809**	154,187
Interest expense	15	**(483,992)**	(480,050)
Total finance costs		**(483,992)**	(480,050)
Loss for the period		**(104,183)**	(325,863)
Attributable to Founder Shares		**(435,664)**	94,262
Increase/(decrease) in net assets attributable to holders of redeemable shares		**331,481**	(420,125)
Total comprehensive loss for the period		**(104,183)**	(325,863)

The accompanying notes are an integral part of these financial statements. These also include more detailed information about the amounts attributable to the founder shareholders and the amounts attributable to unit holders of investor shares in the next two pages.

Fraternity Funds SICAV p.l.c.

Statement of Comprehensive Income (continued)
For the period ended 30 June 2023

The following table provides more detailed information about the amounts attributable to the founder shareholders and amounts attributable to unit holders of investor shares. This information is being presented in accordance with the prevalent local practice.

			Attributable to unit holders of investors shares of:	
	Notes	Attributable to founder shareholders 30.06.2023 €	Opportunity Fund 30.06.2023 €	Real Estate Fund 30.06.2023 €
Income				
Net gain/(loss) on foreign exchange		-	43	(220,125)
Net gain from financial assets at fair value through profit or loss	10	-	-	589,979
Interest income calculated using the effective interest method	14	-	-	106,953
Income from management and performance fee	8	(435,664)	-	-
Reversal of management and performance fee			1,564	434,100
Total Revenue		(435,664)	1,607	910,907
Expenditure				
Administration fees	13.3	-	(9,726)	(7,981)
Audit fees	13.4	-	(47)	(20,986)
Directors and investment committee fees	8	-	(31)	(13,954)
Other operating expenses	16	-	(5,933)	(38,383)
		-		
Total operating expenses		-	(15,737)	(81,304)
Operating (loss)/gain before finance costs		(435,664)	(14,130)	829,603
Interest expense	15	-	-	(483,992)
Total finance costs		-	-	(483,992)
(Loss)/profit for the period		(435,664)	(14,130)	345,611
Attributable to Founder Shareholders		(435,664)	-	-
(Decrease)/increase in net assets attributable to holders of redeemable shares		-	(14,130)	345,611
Total comprehensive (loss)/income for the period		(435,664)	(14,130)	345,611

The above information is an integral part of the notes to these financial statements.

Fraternity Funds SICAV p.l.c.

Statement of Comprehensive Income (continued)
For the period ended 30 June 2023

The following table provides more detailed information about the amounts attributable to the founder shareholders and the position relating to the sub-funds. This information is being presented in accordance with the prevalent local practice.

	Notes	Attributable to founder shareholders 30.06.2022 €	Attributable to : Opportunity Fund 30.06.2022 €	Attributable to : Real Estate Fund 30.06.2022 €
Income				
Net loss on foreign exchange		-	14	(66,288)
Net loss on financial assets at fair value through profit or loss	10	-	-	211,236
Interest income calculated using the effective interest method	14	-	-	100,277
Income from management and performance fee		94,371	-	-
Total Revenue		94,371	14	245,225
Expenditure				
Administration fees	13.3	-	(8,434)	(6,747)
Audit fees	13.4	-	(92)	(18,355)
Directors and investment committee fees	8	-	(67)	(26,004)
Management fees	13.1	-	(523)	(93,847)
Other operating expenses	16	(109)	(6,591)	(24,654)
Total operating expenses		(109)	(15,707)	(169,607)
Operating (loss)/profit before finance costs		94,262	(15,693)	75,618
Interest expense	15	-	-	(480,050)
Total finance costs		-	-	(480,050)
Profit/(loss) for the period		94,262	(15,693)	(404,432)
Attributable to Founder Shareholders		94,262	-	-
Decrease in net assets attributable to holders of redeemable shares		-	(15,693)	(404,432)
Total comprehensive income/(loss) for the period		94,262	(15,693)	(404,432)

The above information is an integral part of the notes to these financial statements.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares
For the period ended 30 June 2023

	The Company	The Company
	30.06.2023	30.06.2022
	€	€
Balance at the beginning of the period	**14,608,699**	12,642,398
Transactions with holders of redeemable shares	**-**	-
Increase/(decrease) in net assets attributable to holders of redeemable shares	**331,481**	(420,125)
Net assets as at the end of the period attributable to holders of redeemable shares	**14,940,180**	12,222,273

The accompanying notes are an integral part of these financial statements. These also include more detailed information about the amounts attributable to unit holders of investor shares, in the next page.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares (continued)

For the period ended 30 June 2023

	Attributable to unitholder of investor shares of:	
	Opportunity Fund	**Real Estate Fund**
	30.06.2023	**30.06.2023**
	€	**€**
Balance at the beginning of the period	**28,569**	**14,580,130**
(Decrease)/increase in net assets attributable to holders of redeemable shares	**(14,130)**	**345,611**
Net assets as at the end of the period attributable to holders of redeemable shares	**14,439**	**14,925,741**

	Attributable to unitholder of investor shares of:	
	Opportunity Fund	Real Estate Fund
	30.06.2022	30.06.2022
	€	€
Balance at the beginning of the period	62,687	12,579,711
Decrease in net assets attributable to holders of redeemable shares	(15,693)	(404,432)
Net assets as at the end of the period attributable to holders of redeemable shares	46,994	12,175,279

The above information is an integral part of the notes to these financial statements.

Statement of Changes in Equity Attributable to Founder Shareholders
For the period ended 30 June 2023

	Share capital 30.06.2023 €	**Retained earnings 30.06.2023 €**	**Total 30.06.2023 €**
Balance as at the beginning of the period	**1,000**	**435,555**	**436,555**
Comprehensive income			
Loss for the period	**-**	**(435,664)**	**(435,664)**
Balance as at the end of the period	**1,000**	**(109)**	**891**

	Share capital 30.06.2022 €	Retained earnings 30.06.2022 €	Total 30.06.2022 €
Balance as at the beginning of the period	1,000	(58,153)	(57,153)
Comprehensive income			
Profit for the period	-	94,262	94,262
Balance as at the end of the period	1,000	36,109	37,109

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

Statement of Cash Flows
For the period ended 30 June 2023

	The Company 30.06.2023 €	The Company 30.06.2022 €
Cash flows from operating activities		
Operating expenses paid	**(908,183)**	(910,728)
Repayment of investment	**1,134,909**	857,495
Loans provided to related parties	**(120,381)**	(15,115)
Net cash outflows from operating activities	**106,345**	(68,348)
Cash flows from financing activities		
Subscription received in advance/(reversed)	**(95,000)**	95,000
Net cash inflows from financing activities	**(95,000)**	95,000
Net increase in cash and cash equivalents	**11,345**	26,652
Cash and cash equivalents at beginning of period	**8,530**	46,652
Effect of exchange rate fluctuations in cash and cash equivalents	**(134)**	1,504
Cash and cash equivalents at end of period	**19,741**	74,808

The accompanying notes are an integral part of these financial statements. These also include more detailed information about the amounts attributable to the founder shareholders and the amounts attributable to unit holders of investor shares in the next two pages.

Statement of Cash Flows (continued)
For the period ended 30 June 2023

The following table provides more detailed information about the amounts attributable to the founder shareholders and amounts attributable to unit holders of investor shares. This information is being presented in accordance with the prevalent local practice.

	Attributable to founder shareholders	Attributable to unitholder of investor shares of:	
		Opportunity Fund	Real Estate Fund
	30.06.2023	30.06.2023	30.06.2023
	€	€	€
Cash flows from operating activities			
Operating (expenses paid)/income received	**(845)**	**377**	**(907,715)**
Repayment of investment	**-**	**-**	**1,134,909**
Loans provided to related and third parties	**-**	**-**	**(120,381)**
Net cash outflows from operating activities	**(845)**	**377**	**106,813**
Cash flows from financing activities			
Subscription received in advance	**-**	**-**	**(95,000)**
Net cash inflows financing activities	**-**	**-**	**(95,000)**
Net (decrease)/increase in cash and cash equivalents	**(845)**	**377**	**11,813**
Cash and cash equivalents at beginning of period	**891**	**5,770**	**1,869**
Effect of exchange rate fluctuations in cash and cash equivalents	**-**	**43**	**(177)**
Cash and cash equivalents at end of period	**46**	**6,190**	**13,505**

The above information is an integral part of the notes to these financial statements.

Statement of Cash Flows (continued)
For the period ended 30 June 2023

The following table provides more detailed information about the amounts attributable to the founder shareholders and the position relating to the sub-funds. This information is being presented in accordance with the prevalent local Practice.

	Attributable to founder shareholders	Attributable to unitholder of investor shares of:	
		Opportunity Fund	Real Estate Fund
	30.06.2022	30.06.2022	30.06.2022
	€	€	€
Cash flows from operating activities			
Operating expenses paid	(109)	(30,553)	(880,066)
Repayment of investment	-	-	857,495
Loans provided to related and third parties	-	-	(15,115)
Net cash outflows from operating activities	(109)	(30,553)	(37,686)
Cash flows from financing activities			
Subscription received in advance	-	-	95,000
Net cash inflows from financing activities	-	-	95,000
Net (decrease)/increase in cash and cash equivalents	(109)	(30,553)	57,314
Cash and cash equivalents at beginning of period	1,000	36,321	9,331
Effect of exchange rate fluctuations in cash and cash equivalents	-	14	1,490
Cash and cash equivalents at end of period	891	5,782	68,135

The above information is an integral part of the notes to these financial statements.

1 Reporting entity

Fraternity Funds SICAV p.l.c. (the “Company”) is organized under the laws of Malta as a multi-fund limited liability investment company with variable share capital (SICAV) incorporated in accordance with the terms of the Companies Act, 1995 (Chapter 386, Laws of Malta) on 21 January 2020 (Date of Incorporation), with registration number SV534 and commenced its operations on 11 June 2020. The Company is licensed and regulated by the Malta Financial Services Authority (“MFSA”) under the Investment Services Act (Chapter 370, Laws of Malta) as a Professional Investor Fund which targets Qualifying Investors as set out in the Offering Memorandum and relevant Offering Supplements.

As at the reporting date, the Company has constituted two sub-funds, Opportunity Fund and Real Estate Fund (the “Sub-funds”), which were both licensed on 23 January 2020. The Sub-funds are not separate legal entities. During the period, the Company, through the Real Estate Fund, has issued bonds which were listed on the Prague Stock Exchange.

The Company is the reporting entity and comprises all the activities of Fraternity Funds SICAV p.l.c. as the entity with the separate legal personality. The Statutory Financial Statements are those presented for the Company. The sub-funds are an integral part of that entity, as these do not have separate legal personality.

In accordance with prevalent local practice, segregated financial information relating to amounts ‘attributable to the founder shareholders’ and to amounts ‘attributable to shareholders of the investor shares’ (segregated by the specific sub-fund) are disclosed following each primary financial statement, as applicable, and these form an integral part of the notes to the financial statements. Also, in accordance with local practice, where appropriate, other disclosures in the notes in the financial statements are segregated by sub-fund. The inclusion of such financial information is nonetheless not a statutory requirement.

Assessment as investment entity
Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at Fair Value through Profit or Loss (“FVTPL”) rather than consolidate them. The criteria which define an investment entity are, as follows:
- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment management services
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company, through its Real Estate Fund’s (‘the Fund’) offering supplement details its objective of investing in the real estate markets indirectly by investing in companies holding real estate assets, in order to seek to realise income and long-term capital appreciation. The Fund will seek to achieve risk adjusted returns from a portfolio of real estate investments through the acquisition of existing unlisted real estate companies and/or the establishment of Special Purpose Vehicles (SPVs). Although the Fund will seek to create a portfolio of real estate companies, the Portfolio Manager may however from time to time consider it appropriate to limit the Fund’s investments to only one or two underlying investments.

The Fund reports to its investors via regular investor information, and to its management, via internal management reports, on a fair value basis. All investments are reported at fair value.

The Fund currently holds only a single investment because the entity a) is in its start-up period and has not yet identified other suitable investments and, therefore, has not yet executed its investment plan to acquire several investments, and b) can pool investors’ funds to invest in a single investment when that investment is unobtainable by individual investors (for example, when the required minimum investment is too high for an individual investor).

The Fund temporarily has a single investor given that it is still within its first months of operations and has not yet identified other suitable investors to subscribe in the Fund.

The Fund has 100% ownership interest in the form of equity in the underlying single investment, hence exposed to variable returns from changes in the fair value of the Fund’s underlying investment.

Based on the above assessment, the directors thus concluded that the Fund meets the definition of an investment entity. These conclusions will be reassessed on a continuous basis, if any of these criteria or characteristics change.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared and presented in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) (the “applicable framework”). All references in these financial statements to IAS, IFRS or SIC/IFRIC interpretations refer to those adopted by the EU. These financial statements have also been prepared and presented in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta).

2 Basis of preparation (continued)

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for financial instruments at fair value through profit or loss, which are measured at their fair value.

The Company's net current liabilities position arises from the fact that the investment (at FVTPL) is classified as non-current and does not reflect the regular upstreaming of dividends or other cash inflows from the subsidiary to allow the Company to settle interest and other on-going payments (refer also to note 9.3).

2.3 Functional and presentation currency

The financial statements are presented in Euro (€), which is the functional currency of the Company, rounded to the nearest unit.

'Functional currency' is the currency of the primary economic environment in which the Company operates. If indicators of the primary economic environment are mixed, then the directors use its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Company's investments and transactions are denominated in EURO and CZK. Investor subscriptions and redemptions are determined based on net asset value and received and paid in EURO. The expenses are denominated and paid in CZK and EURO. However, the determining factor is that the negotiation of the predominant element of the lease rentals are in Euro and such inflows are expected to be used to meet Euro financial obligations, upstreaming of any dividends to shareholders and repayments upon redemptions. Accordingly, the directors have determined that the functional currency of the Company is the EURO.

2.4 Use of assumptions, estimates and judgements

The preparation of financial statements in conformity with IFRS requires the directors to make judgments, estimates and assumptions that affect both the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate was revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the current year is included in Note 10 and relates to the determination of fair value of financial instruments with significant unobservable inputs.

2.5 New standards and interpretations

The Company did not early adopt new standards, amendments to standards and interpretations which are effective for annual periods beginning after 1 January 2023. None of these are expected to have a significant effect on the financial statements of the Company in the period of initial application.

3 Significant accounting policies

The Company has consistently applied the accounting policies as set out below throughout the period presented in these financial statements.

3.1 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are retranslated to the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of comprehensive income.

3.2 Interest income and interest expense

Interest income comprises interest income on debt instruments. Interest expense comprises interest expense on borrowings. Interest income and interest expense are recognized as they accrue in profit or loss, using the effective interest method.

3.3 Fees expenses

Fees expenses are recognised in the statement of comprehensive income as the related services are performed.

3 Significant accounting policies (continued)

3.4 Financial assets and financial liabilities

3.4.1 Recognition and initial measurement

The Company initially recognises financial assets and financial liabilities at fair value through profit or loss ("FVTPL") on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

3.4.2 *Classification and subsequent measurement*

On initial recognition, the Company classifies financial assets as measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

All other financial assets of the Company are measured at FVTPL.

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Company considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

The Company has determined that it has two business models:

- Held-to-collect business model: this includes cash and cash equivalents, loans receivable from related parties and other financial assets. These other financial assets are held to collect contractual cash flows.

- *Other business model:* this includes investment in unlisted equity security and loan receivable from subsidiary.

  As an investment entity, the Company accounts for its equity investment in its subsidiary in accordance with IFRS 9, at fair value through profit or loss. The loan to subsidiary is also measured at fair value through profit or loss since this was entered into and managed solely in connection with the equity investment in subsidiary, and is considered to form part of a portfolio of identified financial instruments that are managed, and whose performance is evaluated, together on a fair value basis.

Assessment whether contractual cash flows are SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

3 Significant accounting policies (continued)

3.4 Financial assets and financial liabilities (continued)

3.4.2 Classification and subsequent measurement (continued)

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Company were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

Classification and subsequent measurement

The Company classified financial assets into the following categories.

- Financial assets at FVTPL
  Bonds investments
  Designated as at FVTPL: investment in unlisted equity security and loan receivable from subsidiary

- Financial assets at amortised cost:
  Loans and receivables: cash and cash equivalents, loans receivable from related parties and other receivables.

The Company designated its investment in unlisted equity security and loan receivable from subsidiary as at FVTPL on initial recognition because it managed these assets on a fair value basis in accordance with its documented investment strategy. Internal reporting and performance measurement of these securities were on a fair value basis.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

The Company classified financial liabilities into the following categories.

- Financial liabilities at amortised cost:
  Bond issued
  Other liabilities – other payables.

3.4.3 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company measures instruments quoted in an active market at a mid price, because this price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

3.4.4 Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

3 Significant accounting policies (continued)

3.4 Financial assets and financial liabilities (continued)

3.4.5 Impairment

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Company measures loss allowances at 12-month ECLs:
- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 by Moody's.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

3.4.6 Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.4.7 Net gain/loss from financial instruments at fair value through profit or loss

Net gain/loss from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, and interest and dividend income received from these financial instruments.

Net realised gain/loss from financial instruments at fair value through profit or loss is calculated using the average cost method.

3 Significant accounting policies (continued)

3.4 Financial assets and financial liabilities (continued)

3.4.8 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has currently a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign exchange gains and losses.

3.5 Redeemable shares

The Company classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Sub-funds issue redeemable shares on every dealing day defined as 31 December of each year, which are redeemable at the holder's option on every dealing day as defined above. Such shares are classified as financial liabilities. Redeemable shares can be put back to the Sub-funds at any time for cash equal to a proportionate share of the Sub-funds' net asset value attributable to the share class. The redeemable shares are carried at the redemption amount that is payable at the statement of financial position date if the holder exercises the right to put the share back to the Sub-funds.

Redeemable shares are issued and redeemed at the holder's option at prices based on the Sub-funds' net asset value per share at the time of issue or redemption. The Sub-funds' net asset value per share is calculated by dividing the net assets attributable to the holders of each redeemable share with the total number of outstanding redeemable shares. In accordance with the provisions of the Sub-funds' regulations, investment positions are valued annually on 31 December based on an independent expert valuation as approved by the Board of Directors, for the purpose of determining the net asset value per share for subscriptions and redemptions.

3.6 Taxation

In terms of current Maltese fiscal legislation, collective investment schemes are classified as either `prescribed' or `non-prescribed' funds for income tax purposes. A collective investment scheme which declares that the value of its assets situated in Malta is less than eighty-five per cent of the value of its total assets is treated as a non-prescribed fund. On this basis, the Company qualifies as a non-prescribed fund for Maltese income tax purposes.

Accordingly, the Company should not be subject to Maltese income tax in respect of the income or gain derived by it, except in respect of any income from immovable property situated in Malta, if any. Capital gains, dividends, interest and any other income from foreign investments held by the Company may nonetheless be subject to tax imposed by the country of origin concerned and any such taxes may not be recoverable by the Company or by the members under Maltese domestic tax law. The sub-funds are not a legal personality, so taxation is applied on the Company, which includes also the sub-funds.

Members resident in Malta

Capital gains realised by Maltese resident investors on the redemption, liquidation or cancellation of units may be subject to a 15% withholding tax. However, the Maltese resident investors may request the Company not to effect the deduction of the said 15% withholding tax in which case the investor would be required to declare the gains in his or her income tax return and will be subject to tax at the normal rates of taxes.

Members not resident in Malta

Any gains accruing to members not resident in Malta upon the transfer of shares (including a redemption) or upon a distribution on a winding-up of the Company should not be subject to tax in Malta subject to certain conditions being satisfied. The transfer of shares (including a redemption) and any distribution on a winding-up of the Company may result in a tax liability for the non-Maltese members according to the tax regime applicable in their respective countries of incorporation, establishment, residence, citizenship, nationality, domicile, or other relevant jurisdiction.

3.7 Segment reporting

The disclosure of segment information is required by those entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

None of the Company's investor units are listed. Transactions in all units are executed via the transfer agent and the transfer value of executed transactions is determined in accordance with the relevant prospectus of each sub-fund and is based on the net assets per unit at each valuation date. On the other hand, the Company has debt instruments listed on the Prague Stock Exchange as described in note 12.

The operations conducted by the sub-funds of the Company are driven by holding real estate properties and advancing of loans to private equity companies as described in notes 11 and 17. As a result, the directors determined that whilst there are two sub-funds, for which segregated financial information is provided in these financial statements, the operations nonetheless constitute a single segment. Accordingly, no further disclosures are required to comply with IFRS 8 *Operating Segments*.

4 Format of the financial statements

In terms of Section 3(3) of the Third Schedule of the Companies Act, 1995 (Chapter 386, Laws of Malta) the layout, nomenclature and terminology of the items in these financial statements were adapted to the special nature of the Company. The profit and loss is referred to as the Statement of Comprehensive Income.

5 Cash and cash equivalents

Cash and cash equivalents as disclosed in the Statement of Cash Flows comprise cash at bank as follows:

	30.06.2023	31.12.2022
	€	€
Founder shareholders	**46**	891
Opportunity Fund	**6,190**	5,770
Real Estate Fund	**13,505**	1,869
	19,741	8,530

6 Share capital

The Company's share capital is represented by the Founder Shares. The Founder shares were issued at € 1 each and carry the right to one vote each and shall be the only share class in the Company carrying voting rights. As at 30 June 2023, the Company had € 1,000 issued share capital comprising of 1,000 fully paid-up shares being subsribed as follows:

- Fraternity Capital Limited 999 founder shares
- Mr. Michal Kosac 1 founder share

The total amount of distributions to Founder Shares shall be an amount not exceeding the aggregate of the Management Fee and Performance Fee due under the terms of the Offering Supplements.

7 Redeemable shares and Recoverable expenses against unitholders' funds

Redeemable shares outstanding are represented by "Investor Shares" issued for each of the Sub-funds separately. The Investor shares do not carry any voting rights. The maximum number of authorised investor shares of the Company is five billion (5,000,001,000) shares without any nominal value assigned to them, which may be issued as shares of any class representing the Sub-funds.

The movement in the Redeemable shares of the Sub-funds as at 30 June 2023 was as follows:

	Attributable to unitholders of investor shares of:	
	Opportunity Fund	**Real Estate Fund**
	No. of shares	**No. of shares**
Balance at the beginning of the period	**124.00**	**11,148.96**
Issue of redeemable shares during the period	**-**	**-**
Balance as at 30 June 2023	**124.00**	**11,148.96**

The movement in the Redeemable shares of the Sub-funds as at 31 December 2022 was as follows:

	Attributable to unitholders of investor shares of:	
	Opportunity Fund	Real Estate Fund
	No. of shares	No. of shares
Balance at the beginning of the year	124.00	11,148.96
Issue of redeemable shares during the year	-	-
Balance as at 31 December 2022	124.00	11,148.96

7 Redeemable shares and Recoverable expenses against unitholders' funds (continued)

The net asset value per share of the Sub-funds were as follows:

Opportunity Fund	**30.06.2023**	31.12.2022
Investor shares in issue as at end of the period/year	**124.00**	124.00
Net asset value of investor shares as at end of the period/year (in EUR)	**14,439**	28,569
Net asset value per share as at end of the period/year (in EUR)	**116.4435**	230.3952

Real Estate Fund	**30.06.2023**	31.12.2022
Investor shares in issue as at end of the period/year	**11,148.96**	11,148.96
Net asset value of investor shares as at end of the period/year (in EUR)	**14,925,741**	14,580,130
Net asset value per share as at end of the period/year (in EUR)	**1,338.7564**	1,307.7570

8 Related party balances and transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions.

Identity of related parties

The Company has a related party relationship with its founder shareholder Fraternity Capital Limited, with the directors Mr. Michal Kosac, Mr. Joseph M. Formosa, Mr. David Grech and Dr. Alexia Ellul, with its subsidiary and with other companies with common director or owned by a Company's director. Mr. Michal Kosac and Mr. Joseph M. Formosa are also part of the Investment Committee of the Company. The sub-funds have also entered into transactions between themselves during the current period and comparative year.

The related party balances and related party transactions entered during the financial period/year 30 June 2023 and 31 December 2022 are mentioned below:

- Opportunity Fund have paid directors and investment committee fees of € 31 each (2022: € 137 each) and Real Estate Fund have paid directors and investment committee fees of € 13,954 each (2022: € 27,834 each).
- The amount of € 39,352 (2022: € 39,352) was payable by Real Estate Fund to Opportunity Fund for expenses paid by Opportunity Fund on behalf of the Real Estate Fund.
- The amount of € 26,069 (2022: € Nil) was payable by Opportunity Fund to Real Estate Fund for expenses paid by Real Estate Fund on behalf of the Opportunity Fund.
- Due to Fraternity Funds SICAV p.l.c amounted to € 5 (2022: € 12,000) in Opportunity Fund and € 840 (2022: € Nil) in Real Estate Fund for expenses paid by Fraternity Capital Limited on behalf of the sub-funds respectively.
- Opportunity Fund incurred Management fees of € Nil (2022: € 857), out of which € Nil (2022: € 1,564) is to be paid to the Founder shareholders. Following a decision from the Board of Directors, the management fee payable as at December 2022 of €1,564 has been waived.
- Real estate Fund incurred Management fees of € Nil (2022: € 208,826), out of which € Nil (31 December 2022: € Nil) is yet to be paid to the Founder shareholders. The sub-Fund incurred Performance fees of € Nil (2022: € 284,134), out of which € Nil (2022: € 434,100) is yet to be paid to the Founder shareholders.
  Following a decision from the Board of Directors, the performance fee payable as at December 2022 amounting to €434,100 has been waived.
- During 2021, the Real Estate Fund purchased 50% stake in TD Beta s.r.o from Astone Group (which is directed and 100% owned by Company's director and IC member Michal Kosac) and purchased the remaining 50% stake in TD Beta s.r.o from the Company's director and IC member Michal Kosac). The purchase price for the first transaction amounted to CZK 291,420,000 (equivalent to € 11,270,013 and the purchase price for the second transaction amounted to CZK 283,746,500 (equivalent to € 11,147,653. Astone Group was paid in cash whilst the balance owed to Michal Kosac was settled through a subscription in kind by the director. As a result, at period-end, Michal Kosac owned 11,149 shares in the Real Estate Fund with a fair value amounting to € 14,925,741 (2022: € 14,580,130).
- During 2021, the Real Estate Fund advanced a loan to a related party Fraternity Capital sro (which is 100% owned by Michal Kosac, who is also a director in this entity) amounting to CZK 70,500,000 (equivalent to € 2,726,429). The balance receivable at period-end amounted to CZK 70,500,000 (equivalent to € 2,969,611) (2022: CZK 70,500,000 (equivalent to € 2,922,401)). The interest income earned during the period amounted to CZK 2,494,917 (equivalent to € 105,091) (2022: CZK 4,989,833 (equivalent to € 204,266)). The interest receivable at period-end amounted to CZK 10,966,667 (equivalent to € 461,940) (2022: CZK 8,471,750 (equivalent to € 351,175)).

8 Related party balances and transactions (continued)

- During 2021, the Real Estate Fund advanced a loan to TD Beta s.r.o (which is 100% owned by Michal Kosac, who is also director in this entity) amounting to CZK 73,000,000 (equivalent to € 2,823,111). The balance receivable at period-end amounted to CZK 2,354,839 (equivalent to € 99,191) (2022: CZK 49,500,000 (equivalent to € 2,051,898)). The interest income earned on such transaction was CZK 1,407,084 (equivalent to € 59,269) (2022: CZK 2,684,881 (equivalent to € 111,295)). The interest receivable at period-end amounted to CZK 9,014,043 (equivalent to € 379,691) (2022: CZK 6,317,792 (equivalent to € 261,888)).

- As at 30 June 2023, Real Estate Fund issued bonds amounting to CZK 450 Million (equivalent to € 18,954,965) (2022: CZK 450 Million (equivalent to € 18,653,622)) which are traded on the Prague Stock Exchange. As at 30 June 2023, none of these bonds were owned by the related party Alpha Quest Balanced Fund and CZK 18 million (2022: CZK Nil) of these bonds were owned by the related party Alpha Quest Opportunity Fund. Michal Kosac is a Director and Investment Committee Member of both the Company and Alpha Quest Funds SICAV plc. The interest expense payable as at period-end to these two sub-funds amounted to CZK 181,233 (equivalent to € 7,634) (2022: CZK Nil (equivalent to € Nil)).

There were no other related party transactions during the financial period ended 30 June 2023 other than the transactions mentioned in the Statement of Changes in Equity and Statement of Changes in Net Assets for transactions with founder shareholders and holders of Redeemable Shares respectively and note 7.

9 Financial risk review

The Company is established as an investment company with variable share capital (SICAV) which implies that financial instruments are extensively used in the course of its routine business. The type of financial instruments in which the Company may invest is regulated by its Offering Memorandum and Offering Supplements investments restrictions.

The Sub-funds are also exposed to market, credit and liquidity risks. This note presents information about the subfund's exposure to these risks, the objectives, policies and process for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

9.1 Market risk

Market risk arises when changes in foreign exchange rates or equity prices affect the positions held by the Company. The Company does not regard either interest rate or commodity risks as material in its case. The Company invests neither in securities that exhibit direct interest rate sensitivity nor in commodities.

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting financial instruments traded in the market. All securities present a risk of loss of capital.

Real Estate Fund invests substantially all of its net assets in the equity and debt instrument of its wholly owned immediate subsidiary, TD Beta, s.r.o. The Sub-Fund is indirectly exposed to the other market price risk of its immediate subsidiary, which is mainly related to the price of property owned by TD Beta, s.r.o (see note 10).

To the extent that the equity investment in subsidiary remains positive, fair value movement on the loan to subsidiary is expected to be counteracted by a similar opposite movement in the fair value of the equity investment in subsidiary, with no overall net impact on the net assets attributable to unitholders of investor shares of Real Estate Fund. Equity attributable to founder shareholders and net assets attributable to holder of redeemable shares of Opportunity Fund are not exposed to fair value movements of financial assets or liabilities.

Currency risk

The Company invests in assets, which can be denominated in currencies other than the Euro, its functional currency. The Company is exposed to risks that the exchange rate of the Euro against other currencies may change in a manner that has an adverse effect on its Net Asset Value.

The Company's total net exposure to foreign currency exchange rates at the reporting date was as follows:

All amounts stated in EUR for the Opportunity Fund:

30 June 2023

Currency	Cash and Cash equivalents	Total net exposure	5% of exposure
	€	€	€
Czech Koruna	**2,713**	**2,713**	**136**

9 Financial risk review (continued)

9.1 Market risk (continued)

Currency risk (continued)

The Company's total net exposure to foreign currency exchange rates at the reporting date was as follows:

All amounts stated in EUR for the Opportunity Fund:

31 December 2022

Currency	Cash and Cash equivalents	Total net exposure	5% of exposure
	€	€	€
Czech Koruna	2,670	2,670	134

The Fund's total net exposure to foreign currency exchange rates at the reporting date was as follows:

All amounts stated in EUR for the Real Estate Fund:

30 June 2023

	Cash and Cash equivalents	**Loans and interest receivable**	**Financial Assets at FVTPL**	**Total net exposure**	**5% of exposure**
	€	€	€	€	€
Czech Koruna	**114**	**3,431,551**	**10,776,364**	**14,208,029**	**710,401**

31.12.2022

	Cash and Cash equivalents	Loans and interest receivable	Financial Assets at FVTPL	Total net exposure	5% of exposure
	€	€	€	€	€
Czech Koruna	1,064	3,273,576	11,933,531	15,208,171	760,409

As at 30 June 2023, should foreign exchange rates been 5% higher/(lower) against the Euro, with all other relevant variables held constant, the increase/(decrease) in net assets attributable to redeemable participating shareholders for the period would have been as calculated in the above table.

9.2 Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. Financial assets, which potentially subject the Company to credit risk, consist principally of loans receivable, cash and cash equivalents and other receivables including interest on the loans receivable. For risk management reporting purposes, the Company considers and aggregates all elements of credit risk exposure (such as individual obligor default risk, country risk and sector risk).

The carrying amount of financial assets recorded in the financial statements, which is net of any impairment losses, represents the Sub-Funds' maximum exposure to credit risk without taking account of the value of any collateral obtained. Where an external independent credit rating is available, the Company and its sub-funds use this rating before entering into transactions with counterparties. The Company and its sub-funds only enter into transactions with counterparties that are rated the equivalent of investment grade and above. Impairment on cash and cash equivalents, loans receivable and other receivables has been measured on a 12-month expected loss basis as these assets that are determined to have low credit risk at the reporting date.

Cash and cash equivalents

For cash and cash equivalents held with the banks, the credit risk relates to the credit risk rating of the respective bank. The cash and cash equivalents of the Company are held with J&T Banka a.s. which is not rated by a credit rating agency as at 30 June 2023 (31 December 2022: not rated). However, this entity is considered an established financial institution and management considers the probability of default to be very low. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Company.

9 Financial risk review (continued)

9.2 Credit risk (continued)

Financial assets subject to IFRS 9's impairment requirements

The Company's financial assets subject to the expected credit loss model within IFRS 9 are short-term receivables which include other receivables and long-term loans receivable from related party.

The loan and interest receivable from Fraternity Capital s.r.o. as at 30 June 2023 amounted € 3,431,551 (31December 2022: € 3,273,576). The loan and interest receivable have a maturity date of 19 April 2026 and have been determined to bear low credit risk also in view of the Company's direct knowledge and involvement in the related entities. The low probability of default and loss given default result in an immaterial amount and accordingly no impairment was recognised in these financial statements.

Other receivables are not significant in their amount and are all short-term in nature.

The Investment Committee members and the Board of Directors monitor the Sub-Fund's credit position on a quarterly basis.

9.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's liquidity position is monitored on a regular basis. Redeemable shares are redeemed on demand at the holder's option provided that the redemption request is received by the respective Sub-fund three business days before the relevant dealing day, and if accepted by the Company, they will be dealt on every dealing day which is defined as 31 December of each year.

The Directors may limit the total number of the Investor shares which may be redeemed on any dealing day to 10% of the outstanding Investor shares in a particular sub-Fund. In the event that such a limit is reached at any point during a dealing day, the directors may defer any further redemption instructions received during that dealing day, to such time as the total number of redemption applications received on that dealing day is re-established at less than 10% of the outstanding Investor Shares in the particular sub-Fund.

The balance of such Investor Shares that are not redeemed on that dealing day because of the limit established above will be redeemed on the next dealing day, subject to the directors' same power of deferral until the original redemption instructions have been satisfied. Redemption requests which are deferred to the following dealing day will be given priority over any redemption requests received in relation to the said dealing day.

On 21 April 2021, the Company through Real Estate Fund offered on the Prague Stock Exchange, through a public offer, a bond amounting to CZK 450 million. The bond is secured, its maturity date is on 21 April 2026 and have fixed annual coupons of 5.25%.

All other liabilities of Real Estate Fund are due within less than one year. In order to settle its current liabilities, the Sub Fund relies on the dividend distribution and/or interest and loan repayments from its subsidiary. The subsidiary has regular rental income under tenancy agreements.

All liabilities of the Founder shareholders and the Opportunity Fund are due within less than one year.

10 Fair value information

Fair value hierarchy

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

10 Fair value information (continued)

Fair value hierarchy (continued)

As at 30 June 2023 financial assets through profit or loss consist of the following;

Sub-Funds	**Currency**	**Debt securities**	**Other securities**	**Level 1**	**Level 2**	**Level 3**
Fraternity Real Estate Fund	**EUR**	**699,996**	**29,922,177**	**699,996**	**-**	**29,922,177**

As at 31 December 2022 financial assets through profit or loss consist of the following;

Sub-Funds	Currency	Other securities	Level 1	Level 2	Level 3
Fraternity Real Estate Fund	EUR	31,288,995	-	-	31,288,995

As at 30 June 2023, the fair value of the bonds issued by Real Estate Fund amounted to € 17,158,034 (31 December 2022: € 16,870,335). This value is a level 2 under the fair value hierarchy. The fair values of other financial assets and liabilities not measured at fair value approximate their respective carrying amount.

The following table presents the movement in level 3 instruments as at 30 June 2023 and 31 December 2022:

	30.06.2023	31.12.2022
	€	€
Opening balance	**31,288,995**	-
Repayment of loan to investee	**(1,952,708)**	(882,718)
Unrealized loss	**468,087**	3,735,970
Interest	**117,803**	111,294
Closing balance	**29,922,177**	31,288,995

Valuation of the investment in TD BETA s.r.o.

The Real Estate Fund considers the independent valuation report provided by the subsidiary. The valuation of the subsidiary is independently appraised by Grant Thornton Appraisal Services a.s. ("GT") with latest valuation date on 31 December 2022.

The main part of the value of the company TD BETA s.r.o. is the Real Estate. The value of the Real Estate was determined using the income approach of valuation applying the direct capitalization method.

The resulting value of the Real Estate was calculated based on the contractual rent amounts as these were overall confirmed to be in the amount usual on the local market. The confirmation of the usualness of the individual rent amounts (expressed in CZK/sqm/month) is based on a comparative analysis carried out for each of the premises leased under the individual tenancy relationships with the distinction for retail premises and office premises while considering the specific characteristics (technical condition, localization in the building, accessories etc.) associated with each of the premises.

The gross income used for the determination of the value of the Real Estate also included the service charges which are paid by each of the tenants and according to the provisions of the lease agreements these are intended for covering the costs associated with usual repairs, maintenance and other services (security etc.).

The total costs used for the determination of value of the Real Estate is composed of the costs associated with the payment of the real estate tax, the insurance of the real estate, maintenance and repairs, real estate management and the contributions to the renewal fund intended for larger repairs and renovations or reconstructions of the building. Since the service charges were included as part of the rental income, all of the costs included in these categories of costs were included. The costs associated with the real estate management and the amount representing the contributions to the renewal fund were determined based on experience with similar real estate.

The capitalization rate used for the determination of value of the Real Estate was determined using the so-called modular method which represents a standard method used in the valuation practice. The capitalization rate is calculated via two components – the risk-free component of the capitalization rate and the additional risk charge. The amount for the risk-free component is determined at the level of the yield rate of the mortgage bond with the longest maturity and with fixed nominal rate. The additional risk charge contains additional charges based on the risks associated with the market and the real estate in question. The capitalization rate used for the determination of value of the Real Estate was determined at the level of 4,38 %.

10 Fair value information (continued)

Fair value hierarchy (continued)

Based on this expert opinion and the used valuation method GT determined the value of 100% of equity interest in the company TD BETA s.r.o. as of the valuation date in the amount of € 29,443,295.

Quantitative information for significant unobservable inputs within Level 3 hierarchy (30 June 2023)

Description	**Valuation Technique**	**Unobservable Inputs**	**Range**	**Fair value EUR**
Financial assets in unquoted private equity shares				
- TD BETA s.r.o.	Income Approach – Direct Capitalization Method	Capitalization rate	4.38%	29,443,295

Quantitative information fo significant unobservable inputs within Level 3 hierarchy (31 December 2022)

Description	Valuation Technique	Unobservable Inputs	Range	Fair value EUR
Financial assets in unquoted private equity shares				
- TD BETA s.r.o.	Income Approach – Direct Capitalization Method	Capitalization rate	4.38%	28,975,209

Sensitivity analysis to significant changes in unobservable input within Level 3 hierarchy

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 30 June 2023 and 31 December 2022 are as shown below.

Description	**Input**	**Sensitivity used***	**Effect on fair value EUR**
Financial assets in unquoted private equity shares			
- TD BETA s.r.o.			
	Capitalization rate	2023: +.25%	(2,781,227)
	Capitalization rate	2023: -.25%	3,117,937

Description	Input	Sensitivity used*	Effect on fair value EUR
Financial assets in unquoted private equity shares			
- TD BETA s.r.o.			
	Capitalization rate	2022: +.25%	(2,737,011)
	Capitalization rate	2022: -.25%	3,068,368

** The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value.*

Significant increases/(decreases) in the capitalization rate in isolation would result in a significantly higher/(lower) fair value measurement.

11 Financial assets at fair value through profit or loss

As at 30 June 2023 and 31 December 2022, Financial assets at fair value through profit of loss consist of the following:

In EUR	**Attributable to unitholders of investor shares of:**		Attributable to unitholders of investor shares of:	
	Opportunity Fund	**Real Estate Fund**	Opportunity Fund	Real Estate Fund
	2023	**2023**	2022	2022
	€	**€**	€	€
Investment in TD BETA s.r.o.	**-**	**29,922,177**	-	31,288,995
Investment in Bonds		**699,996**		
	-	**30,622,173**	-	31,288,995

11 Financial assets at fair value through profit or loss (continued)

During the period, the Real Estate Fund had 100% investment of the shares in TD BETA s.r.o. for the amount of CZK 575,166,500 (equivalent to € 24,227,247) (2022: 575,166,500 (equivalent to € 23,121,821). This entity has its registered office at Vaclavske nam. 795/40, 110 00 Praha 1- Nove Mesto, Czech Republic. TD Beta, s.r.o. and owns a commercial property on Prague's high street market.

In addition, as at 30 June 2023, the sub-Fund had a loan receivable from TD BETA s.r.o. amounting to CZK 2,354,839 (equivalent to € 99,191) (2022 CZK 49,500,000 (equivalent to € 2,051,898). The accrued interest as at 30 June 2023 on this loan amounted to CZK 9,014,043 (equivalent to € 379,691) (2022 CZK 6,317,792 (equivalent to €261,888). Refer to note 17 for further information on this loan receivable.

As at 30 June 2023, the total investment in TD BETA s.r.o. was valued at € 29,443,295 (2022: € 31,288,995).

The real estate property of TD BETA s.r.o. is pledged first-in-line in favour of Unicredit Bank as provider of the senior bank loan of TD BETA s.r.o. (which amounted to € 22,002,646 as at 30 June 2023), second-In-line in favour of the holders of the bonds issued by Real Estate Fund (refer to note 12) and third-in-line in favour of the Company in respect of loan receivable from TD BETA s.r.o. (refer to note 17).

12 Bonds issued

On 21 April 2021, the Sub-Fund offered on the Prague Stock Exchange, through a public offer, a bond amounting to CZK 450 million. These bonds are secured, have a maturity date of 21 April 2026 and have fixed annual coupons of 5.25%. These bonds are secured by the real estate property of TD BETA s.r.o., which rank second-in-line after the bank loan payable by TD BETA s.r.o. (refer to note 11) and by a real estate property of a related party.

Interest payable on bonds on 30 June 2023 amounted to € 190,848 (2022: € 701,843).

The carrying amount of bonds issued in Real Estate Fund as at 30 June 2023 and 31 December 2022 is as follows:

Particulars	**30.06.2023**	31.12.2022
	€	€
Opening balance	**19,355,464**	18,760,187
Unrealized exchange rate gains during the period	**301,344**	563,522
Interest payable	**190,848**	701,842
Repayment of opening interest payables	**(701,843)**	(670,087)
Closing balance	**19,145,813**	19,355,464

Opportunity Fund has not issued any bonds during the period ended 30 June 2023 and year ended 31 December 2022.

13 Fees and other payables

13.1 Management fees

Opportunity Fund

The founder shareholders are entitled to receive a management fee of 2% per annum of the Sub-fund's net asset value, calculated and paid on quarterly basis.

The management fees for the period have been waived off by the founder shareholders (31 December 2022: € 857) and none was outstanding as at 30 June 2023 (31 December 2022: € 1,564) following the reversal of the management fees payable as at 31 December 2022.

Real Estate Fund

The founder shareholders are entitled to receive a management fee of 1.5% per annum of the Sub-fund's net asset value, calculated and paid on quarterly basis.

The management fees for the period have been waived by the founder shareholders and none was outstanding as at 30 June 2023 (31 December 2022: € Nil).

13 Fees and other payables (continued)

13.2 Performance fees

Opportunity Fund

Each holder of Investor Shares will be subject to a Performance Fee payable to the founder shareholders in respect of each calculation period. The performance period ("the Performance Period") shall, with the exception of the first Performance Period, run from 1 January of one year to 31 December of that year. The Performance Fee shall be calculated on the basis of the NAV per Investor Share. The Performance Fee shall be equal to 20% of the amount by which the Net Asset Value per Share (before the deduction of the Performance Fee) has exceeded the NAV Target per Share during the Performance Period, multiplied by the average number of Investor Shares in issue, taken at each valuation point, during that Performance Period, subject to a hurdle rate of 2% per annum.

The NAV Target per Share is equal to the highest of: (i) highest NAV per Share as at the end of any previous accounting period on which a Performance Fee was paid ("the Highest NAV"), or (ii) the Initial Offer Price ("the Initial Price").

No performance fees were incurred and outstanding as at 30 June 2023 and 2022.

Real Estate Fund

The performance period ("the Performance Period") shall, with the exception of the first Performance Period, run from 1 January of one year to 31 December of that year. The Performance Fee shall be calculated on the basis of the NAV per Investor Share. The Performance Fee shall be equal to 15% of the amount by which the Net Asset Value per Share (before the deduction of the Performance Fee) has exceeded the NAV Target per Share during the Performance Period, multiplied by the average number of Investor Shares in issue, taken at each valuation point, during that Performance Period, subject to a hurdle rate of 2% per annum.

The NAV Target per Share is equal to the highest of: (i) highest NAV per Share as at the end of any previous accounting period on which a Performance Fee was paid ("the Highest NAV"), or (ii) the Initial Offer Price ("the Initial Price").

The performance fees for the period have been waived off by the founder shareholders (31 December 2022: € 284,134) and none was outstanding as at 30 June 2023 (31 December 2022: € 434,100) following the reversal of prior-period performance fee payable (€ 434,100) as at 31 December 2022.

13.3 Administration fees

Opportunity Fund

The Administrator is entitled to receive a minimum fee of € 15,000 per annum or the below whichever is the greater:

NAV size	*Administration fee*
Up to € 100 million	0.04% of NAV p.a.
Greater than € 100 million	0.02% of NAV p.a.

The administration fee for the period amounted to € 9,726 (31 December 2022: € 17,995), which is included within Other Operating Expenses in the statement of comprehensive income. The outstanding administration fees as at 30 June 2023 amounted to € 5,350 (31 December 2022: € 8,240).

Real Estate Fund

The Administrator is entitled to receive a minimum fee of € 12,000 per annum or the below whichever the greater:

NAV size	*Administration fee*
Up to € 100 million	0.03% of NAV p.a.
Greater than € 100 million	0.02% of NAV p.a.

The administration fee for the period amounted to € 7,981 (31 December 2022: € 14,596) which is included within Other Operating Expenses in the statement of comprehensive income. The outstanding administration fees as at 30 June 2023 amounted to € 4,480 (31 December 2022: € 9,991).

13.4 Auditor's Remuneration

The audit fee for the period amounted to € 21,033 (31 December 2022: € 35,931) (inclusive of outlays and Value Added Tax).Other non-audit services provided by the auditor during the period comprised of other assurance services and tax advisory services amounting to € Nil (31 December 2022: € 3,098) and € 776 (31 December 2022: € 1,856).

13 Fees and other payables(continued)

13.5 Other payables

30 June 2023	**Attributable to founder shareholders**	**Attributable to unitholders of investor shares of:**	
		Opportunity Fund	**Real Estate Fund**
	€	**€**	**€**
Accounting fee payable	-	**804**	**804**
CRS Services Payable	-	**262**	**262**
AIFMD fee payable	-	**26**	**262**
Register fee payable		**27**	**414**
Tax Preparation Fees	-	**388**	**389**
Regulatory fees payable	-	**131**	**132**
	-	**1,874**	**2,263**

31 December 2022	Attributable to founder shareholders	Attributable to unitholders of investor shares of:	
		Opportunity Fund	Real Estate Fund
	€	€	€
Accounting fees payable	-	2,265	2,522
Regulatory fees payable	-	515	515
Register fee payable	-	30	913
Secretarial fees payable		2,898	2,898
CRS Services payable	-	472	771
AIFMD fee payable	-	515	773
Tax preparation fees	-	781	781
Other payable		-	21,404
	-	7,476	30,577

14 Interest income

Interest income of the Real Estate Fund consists of interest earned on loan receivable measured at amortised cost and amounted to € 106,953 (31 December 2022: € 204,266).

15 Interest expense

Interest expense is incurred on bonds issued by Real Estate Fund (see note 12) and amounted to € 483,992 (31 December 2022: € 977,868) for the period.

16 Other operating expenses

For the period ended 30 June 2023	**Attributable to founder shareholders**	**Attributable to unitholders of investor shares of:**	
		Opportunity Fund	**Real Estate Fund**
	€	**€**	**€**
Compliance officer fee expense	-	-	**3,492**
MLRO fee expense	-	-	**3,094**
Placement Fee	-	-	**4,145**
Arrangement Fee	-	-	**780**
Other expenses	-	**5,933**	**26,872**
	-	**5,933**	**38,383**

For the year ended 31 December 2022	Attributable to founder shareholders	Attributable to unitholders of investor shares of:	
		Opportunity Fund	Real Estate Fund
	€	€	€
Compliance officer fee expense	-	-	6,966
Expenses borne by Founder shareholders	109	-	-
MLRO fee expense	-	-	5,226
Placement fee	-	-	9,125
Arrangement fee	-	-	1,718
Other expenses	-	15,028	80,668
	109	15,028	103,703

17 Loans and interest receivable

On 21 April 2021, the sub-fund Fraternity Real Estate purchased unsecured debentures of CZK 70,500,000 (equivalent to € 2,969,611) from Fraternity Capital s.r.o., and of CZK 73,000,000 (€ 2,934,616) from TD BETA s.r.o. with an interest rate of 7% per annum and maturing on 19 April 2026. On 19 April 2022, there was a loan repayment of CZK 23,500,000 (equivalent to €974,174). During 2023, CZK 47,145,161 (equivalent to €1,985,855) was also repaid.

The loans and interest receivable as at 30 June 2023 in the sub-fund amounted to € 3,436,592 (31 December 2022: € 3,273,576) recorded under 'Loan and interest receivable' and € 478,882 (31 December 2022: € 2,313,786) recorded under 'Financial assets at fair value through profit or loss'.

18 Subsequent events

In July 2023, the sub-fund Fraternity Real Estate sent to Alpha Quest Balance Fund a subscription request amounting to EUR 700,000.

There are no other subsequent events that could have a significant effect on the financial statements as at 30 June 2023.