



# ANNUAL REPORT

(Translated from the Czech original)

OF COLLECTIVE INVESTMENT FUND

## Conseq Active Invest Dynamický, podfond Conseq Funds SICAV

FOR THE YEAR ENDED 31 DECEMBER 2023

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## I. DISCLOSURES

required by Act No. 240/2013 Coll., Czech National Bank Decree No. 244/2013 Coll., EU Regulation 231/2013, EU Regulation 2015/2365, and EU Regulation 2020/852

### A. SUB-FUND DETAILS

#### Sub-fund name

Conseq Active Invest Dynamický, podfond Conseq Funds SICAV, a.s. ("the Sub-Fund"), recorded in the list of mutual funds with a legal personality maintained by the Czech National Bank on 1 January 2020.

#### ISIN

CZ0008044732 (Class EUR)

CZ0008044724 (Class PLN)

#### Registered office

Praha 1, Rybná 682/14, post code 110 00

#### Additional information

The Sub-Fund was established by the transformation of the unit fund Active Invest Progressive, otevřený podílový fond. This unit fund was incorporated on 4 October 2014 and transformed into a sub-fund of a joint stock company on 1 January 2020 with the variable registered capital of Conseq Funds SICAV a.s.

The Sub-Fund issues investor shares in dematerialized form. The Sub-Fund's purpose is to achieve the long-term capital appreciation of entrusted funds by investing them mainly in securities issued by share funds and to a lesser degree in other investment instruments, such as shares, bonds, money market instruments, securities issued by bond funds, short-term bond funds or money market funds, government or corporate bonds, bank deposits and in other investment instruments.

### B. BASIC INFORMATION ABOUT THE MUTUAL FUND

#### Fund name

Conseq Funds SICAV a.s. ("the Fund"), recorded in the Commercial Register maintained by the Municipal Court in Prague on 1 January 2020, under file number 25033, section B.

#### Identification number

088 05 105

#### Registered office

Praha 1, Rybná 682/14, post code 110 05

#### Sub-funds

Conseq Polských dluhopisů, podfond Conseq Funds SICAV

Conseq Active Invest Dynamický, podfond Conseq Funds SICAV

#### Additional information

The Fund is a standard fund as defined by Section 94 (1) of Act No. 240/2013 Coll., on Investment Companies and Investment Funds, which is neither a master fund nor a feeder fund. In accordance with the Fund's statutes, the Fund may create sub-funds. Investor shares are issued to the individual sub-

funds' account. The Fund does not issue investor shares. The Fund is not a self-managed investment fund. It has an individual statutory body consisting of a legal entity entitled to manage the Fund.

## **C. BASIC INFORMATION ABOUT THE MANAGING INVESTMENT COMPANY**

### **Company name**

Conseq Funds investiční společnost a.s. ("the Investment Company"), recorded in the Commercial Register maintained by the Municipal Court in Prague, under file number 17126, section B.

### **Identification number**

248 37 202

### **Registered office**

Praha 1, Rybná 682/14, post code 110 05

### **Concluded contracts**

Contract on the performance of duties

### **Brief description of experience and knowledge**

The Investment Company has been active in investment fund management since 2011.

## **D. INFORMATION ABOUT FUND PORTFOLIO MANAGERS**

during the reporting period, including a brief description of their experience and knowledge

### **The Investment Company's key personnel involved in the management of the Sub-Fund**

#### **Ing. Jan Vedral**

After graduating from the Faculty of Business of the University of Economics in Prague, Jan Vedral worked at Investiční banka. In 1992 he joined Agrobanka Praha (presently MONETA Money Bank) and, as its chief broker, participated in the first transactions on the emerging Czech primary and secondary capital markets. At the end of 1994, he established Conseq Finance, which he headed until 2003. For the entire period, he was in charge of operations, stock brokerage and investment management. At Conseq Investment Management, Jan Vedral works as chief investment manager, leading an investment team and setting key investment strategies. Together with Hana Blovká, he is involved in making decisions on the firm's business strategy and operational management.

#### **Dipl.-Volksw. Anne-Françoise Blüher**

Anne-Françoise Blüher studied at Trinity College in Dublin and the Christian-Albrechts-Universität in Kiel, Germany, where she obtained a Volkswirt diploma (equivalent to a master's degree), specializing in quantitative methods. Anne-Françoise Blüher has worked as a macroeconomic and financial market analyst for more than 20 years in the Czech and German financial sector, specifically in both investment banking and portfolio management. She worked at Union Investment in Frankfurt am Main, Conseq Finance, PPF and Komerční Banka. Since 2015, Anne-Françoise Blüher served in Conseq Investment Management, a.s. as portfolio manager. Since 2018, she has been with the Investment Company, where she is in charge of the strategic management of the Fund's portfolios.

#### **Ing. et Ing. Adam Šperl, CFA**

Adam Šperl has worked as portfolio manager since 2017. He is in charge of portfolio management and oversees the portfolios of retail and institutional clients. Since 2018, he has worked as portfolio manager in the Investment Company, where he is in charge of portfolio management. Previously, he worked at Česká pojišťovna, where he participated in the management of Generali Group's investment risks. He majored in banking and insurance at the Faculty of Finance and Accounting and in economic

analysis at the Faculty of Economics of the University of Economics in Prague. He is a CFA charter holder.

## **Ing. Roman Jiránek**

Roman Jiránek majored in Finance at the Faculty of Finance and Accounting of the University of Economics in Prague. After graduating from the University of Economics, he joined the Sales Department of Conseq Investment Management, a.s., in 2016 as an investment specialist and distribution network support. He worked as an investment and data analyst, providing comprehensive support for Key Account Managers and distribution networks in the Czech Republic, Slovakia and Poland. Since 2022, he has worked as portfolio manager in the Investment Company, where he is in charge of portfolio management.

## **E. INFORMATION ABOUT THE ACTIVITIES OF THE MANAGER** with respect to the Sub-Fund's assets in the reporting period

For developed and some emerging stock markets, 2023 will go down as a very positive year. The US S&P 500 index rose 26% year on year, the European DJ STOXX 600 index 13%, the Central European CECEEUR index 36% and the NASDAQ technology index as much as 43%. However, it was not an easy road to achieve this performance, and we witnessed many surprises. At the beginning of 2023, the market had assumed that a recession with high interest rates would reduce inflationary pressures. However, in reality, the labor market remained extremely robust throughout 2023, and energy and commodity prices gradually declined. Ultimately, the US GDP growth was around 2.5% in 2023. Accordingly, one of the main reasons for the strong performance of equity markets was the expectation of an earlier interest rate cut by the Fed and tightening of required bond yields.

The beginning of 2023 started in a positive spirit on the stock markets; however, in early March, having announced the need for new capital, the 16th largest US bank, Silicon Valley Bank (SVB), with assets of USD 209 billion (CZK 4.65 trillion) and deposits of about USD 75 billion (CZK 3.9 trillion), went bankrupt and was taken over by the Federal Deposit Insurance Corporation (FDIC), which paid out the deposits in full (100%). The failure of two smaller banks, Silvergate Bank and Signature Bank followed. The US FED activated certain facilities to provide liquidity to all banks (repo at 100% of face value) that could face a similar "run on the bank" risk. Big banks like JPMorgan, which helped First Republic Bank, also contributed to calming the situation. However, after the situation in the US calmed down, the tension spilled over to Europe, specifically Switzerland, where long-troubled bank Credit Suisse was rescued by its larger rival, UBS.

In the subsequent months, investors mostly focused on published corporate results, which were better than estimated, on incoming macro data (in most cases also exceeding expectations), geopolitical frictions (Ukraine, Israel, Red Sea, Africa, Taiwan, ...), central bank rhetoric and, last but not least, on corporate news. As regards corporate trends, the introduction of AI chatbots and ancillary applications was probably the biggest topic. The year-end was driven by somewhat weaker macro data and inflation figures, as the base interest rates set by the ECB and the Fed were expected to reach their peak. This led to a fall in required yields and further rises in the US and Western and Central European equity markets. The 10-year US Treasury yield ended the year at 3.9%, almost exactly where it was at the beginning of the year, having looked well over 5% during the year.

Shares of companies from the Central European region mostly followed the developments in the mature markets. The low 2022 base (heavily influenced by the war in Ukraine and politics) provided a solid springboard to nearly 40% appreciation (CECEEUR index 36%). One of the worst performing markets in 2022, the Polish stock market (WIG30 index down 21%) gained 33% in 2023. This was based on absorbing the shock of Russia invading Ukraine, good corporate results and above all the parliamentary

elections won by the opposition (PO). The new government is expected to make significant personnel changes in state-controlled entities, as well as changes in the media and judiciary, interfere less in the running of companies and renew the inflow of money from EU funds. Other local markets also thrived, with the banking sector benefiting from high interest rates, good economic conditions and a robust labor market.

Emerging markets also performed relatively well (MSCI Emerging Markets Index up 7%), with the exception of Chinese equities (CSI300 Index lost 11%). China continued to struggle with problems faced by the real estate sector and the related banking sector and weaker-than-expected economic growth. In addition, the Chinese stock market struggles with the latent uncertainty of the future of US-China relations, and China's relations with neighboring countries, considering the experience with authoritarian regimes after Russia's invasion of Ukraine. Indian equities (Sensex index up 19%) were again the best performers as investors preferred them to Chinese ones. Equity markets in Latin America also posted nice gains, reacting to receding inflationary pressures, reasonable economic growth, monetary policies of local central banks or elections.

In terms of investment events, most of the changes occurred in the first half of 2023, when the reverberations of the previous year events (high inflation, the war in Ukraine, the energy crisis, ...) were still felt and the market mood was very nervous.

At the beginning of 2023, attention was focused on China, where the government decided to change its previous stance of zero tolerance on dealing with the Covid-19 pandemic. The gradual opening up, and the related recovery of the Chinese economy, offered a promising return potential for Chinese equities. Therefore, it was decided in January to selectively increase, at the expense of short-term investments, equity funds of the regions that would benefit most from the growth of the Chinese economy, specifically Australian, Asian (non-Japanese) and Latin American funds. The sharp rise in stock markets that followed brought a tactical opportunity for profit collection. Moreover, economic developments did not indicate the possibility of a rapid normalization of monetary policies by central banks (Fed, ECB), as fundamentals remained strong (core inflation, labor market, etc.). Therefore, it was decided in February to reduce the stock exposure again, proportionally across all regions. The available funds were placed in short-term investments. In March, it was decided to reduce the percentage share of Japanese growth stocks, the main reason being the risk of a change in the Bank of Japan's monetary policy, namely the risk of lifting yield curve controls, which would have an impact on interest rates, especially at the long end of the yield curve. This has had a negative effect on share prices, especially on growth stocks. Other Japanese equity funds were increased. The last change in March was the reintroduction of Turkish equities into the portfolio, made at the expense of other emerging market equities. The earthquake in Turkey further decreased the support for the current head of state, and an opposition victory in the May elections was increasingly seen as a real possibility. The low presence of foreign investors and the prospect of economic policy normalization offered attractive return potential. Additional portfolio changes were made the following month when the overall level of risk in the portfolio was reduced, specifically by reducing the weighting of equities and of more risky bond funds (with the exception of Asian bonds). There were two goals: Firstly, most of the markets had posted decent appreciation in the first months of 2023, so profits had been generated; secondly, the portfolio was better prepared for the two likely future scenarios. The first scenario was the possibility of an economic recession, while the second scenario was a very slowly falling inflation, to which central banks would respond (by raising or lowering rates more slowly). In both cases, risk assets would be under pressure. Short-term investments, which were attractive due to higher interest rates and low risk, were increased. The last change implemented (again with the aim of reducing the risk) was a limitation of foreign currency hedging to 50% of dollar assets against the euro. The elections in Turkey were won quite convincingly by the current ruling party of President Erdogan, the AKP, despite a number of different polls. The current head of state also dominated the first round of the presidential elections. Accordingly,

the status quo, i.e., the continuation of the current (economic) policy, seemed the most likely scenario for future developments. Both during the election campaign and in his post-election speech, the old-new president repeated that he did not see higher interest rates as desirable for the Turkish economy. Therefore, it was decided to completely sell off the Turkish assets in two steps in May and June 2023, while increasing stocks from frontier markets.

The second half of 2023 was much calmer. It became more evident that a recession of the US economy was not on the agenda, as better-than-expected growth (and other) data arrived. Instead, the discussion about interest rate cuts by the US Fed and the ECB came to the fore, to which the markets reacted clearly positively. The expected start of interest rate cuts and the related decline in short-term investment attractiveness, combined with attractive return on bond markets were the main reasons for the October increase in the weight of CZK (less risky) bond funds, while short-term investments were reduced. Another change implemented was an increase (in two steps) in the volume of hedged USD positions (against the euro) to a total of 75%. The last changes were made in November 2023 when it was decided to sell off the whole anti-inflation bond fund, as the risk/return ratio was no longer very attractive, while increasing conventional (i.e., nominal) global bonds. In the second half of November, the Investment Committee approved an increase in equities at the expense of short-term investments, exclusively US small caps. These stocks were trading at historically attractive levels at the end of 2023 although have stagnated in recent years. Valuation normalization, deglobalization and expected fall in interest rates, all these are factors that should deliver above-average performance in the longer term.

In 2023, the Sub-Fund's unit price increased by 10.16% (EUR class) and by 14.06% (PLN class), the main reason being the aforementioned growth in prices on global stock markets.

## Performance as at 31 December 2023

	Performance (in EUR)
1 month	3.73%
3 months	6.52%
6 months	4.88%
1 year	10.16%
Total since the Sub-Fund establishment	182.12%

## Performance as at 31 December 2023

	Performance (in PLN)
1 month	3.91%
3 months	7.19%
6 months	6.48%
1 year	14.06%
Total since the Sub-Fund establishment	231.46%



## Main risks

The biggest risks of the Sub-Fund are concentrated in the world's equity markets, as the vast majority of the Sub-Fund's assets are linked to them. Another risk is the currency risk, since the Sub-Fund manager has no obligation to provide this risk. As at 31 December 2023, the largest open exposure was to the EUR/CZK currency pair, followed by USD/EUR (EUR is the base currency of the Sub-Fund).

The following table summarizes the positions in the Sub-Fund:

Position in the Sub-Fund	ISIN	Share as at 31/12/23
ALLChiAOppPT10USD	LU2288915502	2.56%
ALLJapEqWTJPY	LU2098361814	1.00%
AmFUsPioIUSD	LU1883873652	1.35%
BGFEurEqIncIEUR	LU1222728690	2.50%
BGFUSBasicVall2USD	LU0368249990	1.95%
BGFWorMini2USD	LU0368260294	2.97%
BGFWorReEstSecUSD	LU0842063009	1.32%
ConseqHighYieldBoA	CZ0008476322	2.50%
CSEquityCanQBUSD	LU1419797524	2.01%
CSQEqBCZK	CZ0008477031	11.61%
CSQNeEuBonACZK	CZ0008476959	1.55%
FFAmeFulUSD	LU1243244081	1.93%
FFASEANFuIUSD	LU1560649987	1.85%
FFAsiHiYilUSD	LU1322385706	1.49%
FFAustralialUSD	LU1808853821	3.11%
FFCorBondYEUR	LU0370787359	5.04%
FFEmeAsilUSD	LU0742535718	3.34%
FFLatAmelUSD	LU1560649805	1.66%
FranGoldPrMetIUSD	LU0496368654	3.01%
FranMutBeaclUSD	LU0195949986	1.98%
FranMutEuroplEUR	LU0195950059	2.46%
INGEurEquityIEUR	LU0191249837	2.47%
INGJapanIJPY	LU0191250686	1.13%
LOYSEUSyslCapEUR	LU1129459035	1.79%
LOYSFCCPPremDivIEUR	LU2066734513	1.64%
ParvEnhCas6MIEur	LU0325598752	6.24%
ParvEqBeSeEulEUR	LU0823400337	2.45%

ParvEqBSAsXJIEUR	LU0823397798	3.36%
ParvEqUSSmCalUSD	LU0823411292	5.03%
ParvEurSmallCapI	LU0212179997	2.45%
ParvJapanIQuaJPY	LU0101987716	1.01%
ParvUSMulFaEqIUSD	LU1956164260	1.79%
PIMGlobSIUSD	IE00B87KCF77	1.26%
SchrEmergAsiaUSD	LU0181495838	4.15%
SchrFronMarkEqIUSD	LU0562315100	1.66%
SchrLatinAmlUSD	LU0134341311	1.66%
TemAsiaSmaIUSD	LU0390136223	1.90%

Note: Only shares above 1% of the Sub-Fund's asset value as at the date of valuation for the purposes of this annual report are included in the table.

**F. INFORMATION ABOUT THE SUB-FUND'S DEPOSITARY**  
in the reporting period and about the duration of its activity as the depositary

In the reporting period, UniCredit Bank Czech Republic and Slovakia, a.s., with its registered office at Želetavská 1525/1, Praha 4 – Michle, postcode 140 92, ID# 64948242, recorded in the Commercial Register maintained by the Municipal Court in Prague under section B, file number 3608, acted as the Fund's depositary ("the Depositary").

**G. INFORMATION ABOUT THE ENTITY CHARGED WITH THE CUSTODY OR SAFEKEEPING OF THE SUB-FUND'S ASSETS,**  
provided that more than 1% of the value of Sub-Fund's assets is deposited with the entity

The custody and other safekeeping of the Sub-Fund's assets is provided solely by the Depositary.

**H. INFORMATION ABOUT THE MAIN PRIME BROKER**  
in the reporting period and about the duration of its activity as the main prime broker

The assets of the Sub-Fund were not entrusted to a main prime broker during the reporting period.



## I. SIGNIFICANT CHANGES IN INFORMATION STATED IN THE FUND'S STATUTES

In 2023, 31 December and 30 June were removed from the Sub-Fund's Articles of Association as the days when the valuation of the Sub-Fund's assets and debts is carried out, unless they are business days.

## J. JUDICIAL OR ARBITRATION DISPUTES

regarding assets or claims of the holders of securities or securities issued in dematerialized form by the collective investment sub-fund, where the value of the subject of the dispute exceeds 5% of the sub-fund's assets in the reporting period

There was no litigation pending on behalf of the Sub-Fund during the reporting period.

## K. MANDATORY SUSTAINABILITY-RELATED DISCLOSURES

The investments underlying the financial product do not take into account EU criteria for environmentally sustainable economic activities.

## L. SUB-FUND'S FINANCIAL POSITION AND PERFORMANCE

The Sub-Fund generated a profit of CZK 97,362 thousand in the reporting period.

## M. DEVELOPMENT OF SUB-FUND'S ASSETS

During the reporting period, the Sub-Fund's assets rose by approximately CZK 288 million due to a higher subscription of the Sub-Fund's investor shares and an increase in the Sub-Fund's investor share price.

## N. TOTAL NUMBER OF THE SUB-FUND'S INVESTOR SHARES

that were in circulation as at 31 December 2023 and that were issued and redeemed in the reporting period

In 2023, 90,446,052 investor shares were issued, and 41,944,820 investor shares were redeemed. As at 31 December 2023, 330,056,166 investor shares of the Sub-Fund were in circulation.

## O. FUND EQUITY ATTRIBUTABLE TO ONE INVESTOR SHARE

As at 31 December 2023, the Sub-Fund's equity attributable to one investor share was CZK 3.0294 (EUR 0.1225) and CZK 8.7369 (PLN 1.5344).

## P. COMPARISON OF THE TOTAL FUND EQUITY AND EQUITY PER INVESTOR SHARE for the three most recent reporting periods (as at the end of each period)

Period ended	NAV (CZK)	NAV (CZK) /PLN
31 December 2021	749,977,295.91	3,1845 EUR class a 7,9932 PLN class
31 December 2022	808,446,429.78	2,6894 EUR class a 6,9529 PLN class
31 December 2023	1,096,998,635.83	3,0294 EUR class a 8,7369 PLN class

## Q. THE VALUE OF ALL SHARES IN PROFIT PAID OUT PER INVESTOR SHARE

The Sub-Fund did not pay out any shares in profit in the reporting period. The Sub-Fund is a growth fund, it does not pay shares in profit (dividends) or income from Sub-Fund's management, as these are reinvested and reflected in the value of the Sub-Fund's investor share.

## R. IDENTIFICATION OF THE SUB-FUND'S ASSETS

provided their value exceeds 1% of the Sub-Fund's asset value as at 31 December 2023, indicating total acquisition cost and fair value at the end of the reporting period

### Equity securities held by the Sub-Fund:

Name of security (or issuer)	ISIN	Total acquisition cost (in CZK thousands)	Total fair value (in CZK thousands)
ALLChiAOpPT10USD	LU2288915502	37,047	28,069
ALLJapEqWTJPY	LU2098361814	9,518	10,993
AmFUsPioIUSD	LU1883873652	12,071	14,729
BGFEurEqInclEUR	LU1222728690	23,313	27,384
BGFUSBasicValI2USD	LU0368249990	16,747	21,373
BGFWorMinI2USD	LU0368260294	31,050	32,474
BGFWorReEstSecUSD	LU0842063009	13,022	14,397
ConseqHighYieldBoA	CZ0008476322	24,047	27,331
CSEquityCanQBUSD	LU1419797524	20,416	21,974
CSQEqBCZK	CZ0008477031	83,971	127,080
CSQNeEuBonACZK	CZ0008476959	16,688	16,990
FFAmeFulUSD	LU1243244081	16,450	21,118
FFASEANFulUSD	LU1560649987	20,558	20,298
FFAsiHiYilUSD	LU1322385706	16,952	16,317
FFAustralialUSD	LU1808853821	29,983	34,014
FFCorBondYEUR	LU0370787359	55,738	55,168
FFEmeAsiIUSD	LU0742535718	35,165	36,531
FFLatAmeIUSD	LU1560649805	14,882	18,180
FranGoldPrMetIUSD	LU0496368654	35,327	32,992
FranMutBeacIUSD	LU0195949986	17,873	21,660
FranMutEuroplEUR	LU0195950059	22,325	26,873
INGEurEquityIUSD	LU0191249837	22,385	27,011
INGJapanIJPY	LU0191250686	10,486	12,353
LOYSEUSysIcapEUR	LU1129459035	18,084	19,553
LOYSFCPPremDivIUSD	LU2066734513	21,487	17,911

ParvEnhCas6MIEur	LU0325598752	63,868	68,294
ParvEqBeSeEuEUR	LU0823400337	23,572	26,823
ParvEqBSAsXJIEUR	LU0823397798	39,183	36,776
ParvEqUSSmCalUSD	LU0823411292	46,276	55,045
ParvEurSmallCapI	LU0212179997	25,946	26,778
ParvJapanIQuaJPY	LU0101987716	9,434	11,028
ParvUSMulFaEqIUSD	LU1956164260	15,500	19,622
PIMGlobSIUSD	IE00B87KCF77	13,413	13,798
SchrEmergAsiaUSD	LU0181495838	48,397	45,463
SchrFronMarkEqIUSD	LU0562315100	14,686	18,137
SchrLatinAmIUSD	LU0134341311	13,774	18,119
TemAsiaSmaIUSD	LU0390136223	17,316	20,838

Assets:	Acquisition cost (in CZK thousands)	Fair value (in CZK thousands) as at 31 December 2023:
Due from banks	20,000	25,589

## S. STRUCTURE OF THE SUB-FUND'S ASSETS AND CHANGES THEREIN

Percentage of total assets	31 December 2023	31 December 2022
Due from banks	1.81%	3.14%
Shares, units and other investments	97.61%	95.97%
Other assets	0.58%	0.88%
Prepaid expenses	0%	0.01%

## T. FINAL VOLUME OF LIABILITIES RELATING TO TECHNIQUES

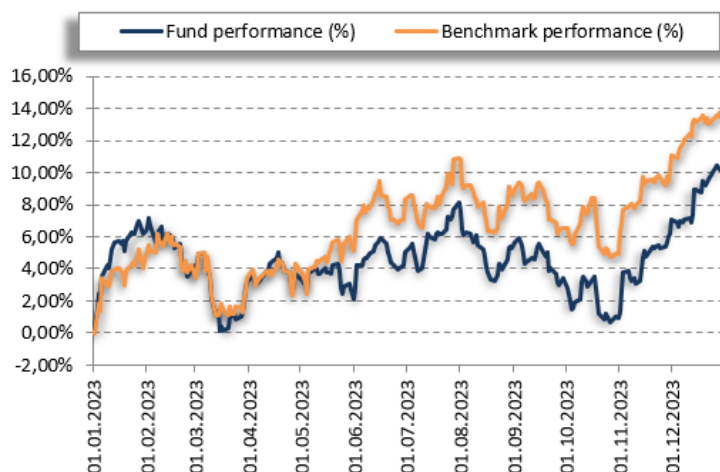
used by the manager in managing the Sub-Fund, as at the end of the reporting period, classified into repo transactions and derivatives

Type	Nominal value (in CZK)	Fair value (in CZK)
Liabilities from FX derivatives	526,930,479.26	0

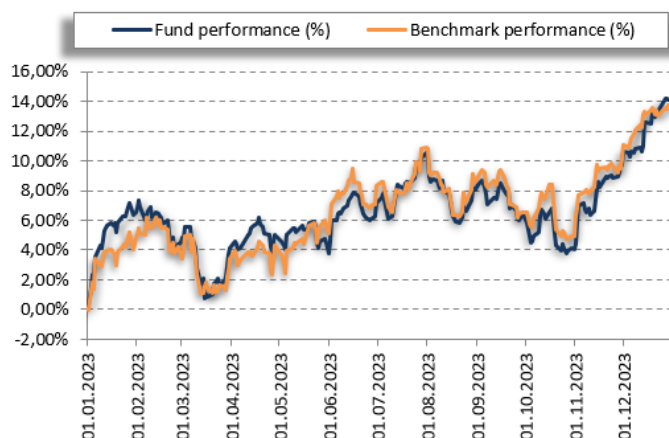
## U. MOVEMENT IN INVESTOR SHARE VALUE IN THE REPORTING PERIOD

in graph form; if the investment strategy is based on an index or another financial quantitative indicator (benchmark), the movement in the index in the reporting period should also be provided in graph form

EUR



PLN



## V. ANNUAL DEVIATION BETWEEN THE SUB-FUN PERFORMANCE AND THE PERFORMANCE OF THE MONITORED INDEX,

if the Sub-Fund monitors certain indices or other financial quantitative benchmarks; including an explanation of the differences between the expected and real deviation for the reporting period

EUR – the difference between the observed annual performance of the Sub-Fund and the performance of the monitored index is (3.58)%. The main reason was the lower weighting of equities (underweighting) compared to the benchmark during 2023.

PLN – the difference between the observed annual performance of the Sub-Fund and the performance of the monitored index is 0.32%. The relatively better performance of the PLN class was mainly due to

the gain on the EUR/PLN currency hedge (this class is hedged; performance measured in EUR reflects the performance measured in PLN), as the euro depreciated by more than 7.6% against the zloty.

## **W. REMUNERATION PAID TO THE SUB-FUND MANAGER FOR THE MANAGEMENT OF THE SUB-FUND'S ASSETS**

**broken down into remuneration paid for performing the role of depositary, administrator, main prime broker and auditor, and figures relating to other expenses and taxes.**

In the period from 1 January to 31 December 2023, remuneration paid for the management of the Sub-Fund's assets amounted to CZK 13,994 thousand.

In the period from 1 January to 31 December 2023, remuneration paid for performing the role of Depositary amounted to CZK 793 thousand and expenses relating to other depositary services amounted to CZK 339 thousand.

In the period from 1 January to 31 December 2023, fees payable to the auditor totaled CZK 133 thousand.

In the period from 1 January to 31 December 2023, expenses related to securities held totaled CZK 270 thousand.

In the period from 1 January to 31 December 2023, income tax (including tax on a separate tax base) amounted to CZK 82 thousand.

## **X. RISKS RELATED TO DERIVATIVES, QUANTITATIVE LIMITATIONS AND RISK ASSESSMENT METHODS**

**selected for the assessment of risks related to portfolio management and Sub-Fund management techniques for the reporting period, including information on transaction counterparties, types and amounts of security received, expenses and revenues linked to the application of these methods, and information on investment limits in respect of derivative contracts concluded for the Sub-Fund's account**

### **Risks related to derivatives**

Risks associated with financial derivatives generally comprise market risks (which, depending on the derivative's underlying asset, can include currency or interest rate risks) and counterparty credit risk. Derivatives are characterized by the leverage effect, whereby even a slight change in the price of a derivative's underlying instrument results in a relatively significant change in the price of the derivative.

### **Quantitative limitations**

**selected for the assessment of risks related to Sub-Fund management methods**

The Sub-Fund management techniques are only repo transactions and financial derivatives. These techniques can be used only under the conditions and in compliance with the limits set for standard funds by the Act on Investment Companies and Investment Funds and Government Regulation no. 243/2013 Coll., about investment funds and investment techniques to manage them (the "**Government Regulation**").

## Quantitative limitations

### Selected of the assessment of risks related to the Sub-Fund portfolio management

The Sub-Fund invests at least 70% of the Sub-Fund's capital decreased by accumulated depreciation and provisions in securities issued by equity funds. The Sub-Fund cannot invest more than 20% of the adjusted fund capital in securities issued by a single collective investment fund. The assets of the Sub-Fund cannot acquire more than 25% of the value of one investment fund's assets. The securities issued by special funds cannot in total exceed more than 30% of the adjusted fund capital. Bank deposits cannot represent more than 20% of the adjusted fund capital. This limit doesn't have to be complied with for the time necessary in relation to the Depositary, in case of the financial settlement of the issue or redemption of the fund units. Investment securities and money market instruments issued by a single issuer cannot represent more than 10% of the adjusted fund capital, and in case of investment securities and money market instruments issued by issuers within the group for whom consolidated financial statements are prepared, up to 20% of the adjusted fully fund capital; the sum of these investments cannot exceed 30% of the adjusted fund capital. Irrespective of the limit specified above, the Sub-Fund may invest up to 25% of the adjusted fund capital in bonds issued by one bank, one savings bank and credit union or one foreign bank which has its registered office in an EU member state and is subject to state supervision, which is protecting the interests of the bondholders, if the funds gained by issuing these bonds are invested in such types of assets that the maturity date of bonds covers the obligations of the bond issuer and which in the case of insolvency of the issuer can be used primarily to repay the bond and the redemption. It is not allowed to invest more than 10% of the adjusted fund capital into investment securities stated in Section 3 Article 1 (e), and money market instruments mentioned in Section 9 of the Government Regulation. If the investment securities or money market instruments are not issued or guaranteed by a state or local government unit of a member state or issued by international financial organizations whose members are one or more member states, it is not allowed to acquire into the Funds more than 10% of: 1) the total nominal value or total number of shares issued by a single issuer, to whom no voting rights are attached; 2) the total nominal value of the bonds issued by one issuer; 3) the total nominal value or total number of money market instruments issued by a single issuer. The sum of the values of investment securities and money market instruments issued by a single issuer, the value of the receivables for the payment from the bank deposit placed at this issuer, and the value of the exposure to counterparty risk arising from derivative financial instruments not admitted to trading concluded with the issuer must not exceed 20% of the adjusted fund capital.

## Methods

### selected for the assessment of risks related to the portfolio management and Sub-Fund management methods

In managing the risks arising from the use of investment instruments that are part of the Sub-Fund's assets, the Investment Company applies the following methods:

- a) monitoring and verifying compliance with relevant rules regarding risk distribution and limitations (investment limits and rules) laid down by generally binding regulations and the Sub-Fund's statutes
- b) monitoring movement in the Sub-Fund's performance volatility expressed as a standard deviation using the Sub-Fund's unit performance over 36 months expressed as an annual deviation
- c) monitoring operating risk.

The Investment Company secures credit risk regarding derivatives or repo transactions in line with rules laid down by the Sub-Fund's statutes and the Government Decree. The Investment Company also monitors the development of investment instrument credit ratings.

**Y. INFORMATION ABOUT SALARIES AND WAGES, RENUMERATIONS AND SIMILAR INCOME OF EXECUTIVE MEMBERS,**

which may be considered as remuneration paid by the Fund manager to its employees or executives in the reporting period; remuneration is divided into fixed and mobile components, data on the number of employees and managers of the fund and information on any bonuses for capital appreciation that the Fund or its manager has paid off

The Sub-Fund had no employees of its own in the reporting period.

The Investment Company's salaries and wages and similar expenses for 2023 amounted to CZK 162,037 thousand. The variable component amounted to CZK 139,447 thousand out of the total amount of salaries and wages and similar expenses. The amounts above are related to the total remuneration of all employees and managers of the Investment Fund. In 2023, the average number of employees and executives of the Investment Company that obtained remuneration was twenty-six.

**Z. INFORMATION ABOUT SALARIES AND WAGES, RENUMERATIONS AND SIMILAR INCOME OF EXECUTIVE MEMBERS**

which may be considered as remuneration paid by the Fund manager to its employees or executives whose activities have a material impact on the risk profile of the Fund

Personnel expenses and remuneration of directors and other employees of Investment Company whose activities have a material impact on the risk profile for 2023 amounted to CZK 134,398 thousand. The variable component amounted to CZK 129,133 thousand of the total.

**AA. INFORMATION ABOUT SFTS AND TOTAL RETURN SWAPS**

No SFTs or total return swaps were made on behalf of the Sub-Fund during the reporting period.

**BB. SUB-FUND'S SELECTED FINANCIAL INFORMATION**

**ASSETS AND EQUITY & LIABILITIES**

**Assets**

Assets recognized by the Sub-Fund in the balance sheet as at 31 December 2023 totaled CZK 1,105,006 thousand; these mainly comprised amounts due from banks of CZK 20,000 thousand, investments in securities of CZK 1,078,604 thousand and other assets totaling CZK 6,402 thousand.

**Equity & liabilities**

The Sub-Fund's equity & liabilities as at 31 December 2023 of CZK 1,105,006 thousand include, in particular, the Sub-Fund's equity of CZK 1,096,999 thousand, a provision of CZK 0 thousand, other liabilities of CZK 2,007 thousand and amounts due to banks of CZK 6,000 thousand.



## II. DISCLOSURES

required by Section 21 of Act No. 563/1991 Coll., on Accounting

### A. FINANCIAL AND NON-FINANCIAL DISCLOSURES

regarding events that occurred after the balance sheet date and that are significant for the compliance with the purpose of this annual report

No material events occurred between the balance sheet date and the date of the annual report that would affect the annual report as at 31 December 2023.

### B. EXPECTED DEVELOPMENT OF SUB-FUND'S ACTIVITIES

The Sub-Fund does not expect any changes in its investment policy in 2024. The main objective of the Sub-Fund in 2024 is to invest the collected capital in line with its investment strategy, limitations and unitholders' expectations for revenues and based on that create conditions for stable revenues and expansion of the Sub-Fund's assets in the long run.

### C. INFORMATION ABOUT ACQUISITION OF TREASURY SHARES OR OWNERSHIP INTERESTS

The Sub-Fund did not acquire any of its treasury shares or own ownership interests.

### D. RISKS

arising from the use of investment instruments and their management aims and methods

The aim of the Sub-Fund's risk management is to minimize risks linked to the Sub-Fund's business activities while complying with the Fund's investment strategy.

To assess risks linked to the Fund's efficient management methods and tools, methods were chosen to identify and minimize the following individual significant risks:

- a) Market risk (interest rate and currency risks) – the Investment Company manages this risk by monitoring and following the above-mentioned quantitative limitations and by using derivatives.
- b) Credit risk – the Investment Company minimizes this risk primarily by selecting counterparties with specific rating levels, by setting volume limits on receivables from individual counterparties, and through diversification and appropriate contractual arrangements.
- c) Settlement risk - this risk is minimized particularly by selecting credible counterparties, settling transactions with investment instruments under reliable settlement systems and by arranging high-quality and reliable legal institutes in case of transactions with real assets.
- d) Liquidity risk - the Investment Company manages this risk by keeping a certain minimum level of liquid funds in the Sub-Fund and using other measures in line with generally binding legal regulations.
- e) The risk arising from the Sub-Fund's investment focus on specific industries, countries or regions, different parts of the market of specific types of assets – this systemic risk is managed by diversification, i.e., spreading of investments.
- f) The risk of loss of assets entrusted into custody or another type of safekeeping – the Sub-Fund entrusts its asset into custody or, where the nature of things excludes this, to another type of safekeeping to a Fund depositary that is a renowned bank.

- g) Operating risk which is the risk of a loss as a result of deficiencies or failures of internal processes or human factors or as a result of external circumstances – the Investment Company curbs this risk by maintaining an appropriate internal control system.

## **E. INFORMATION ON RESEARCH AND DEVELOPMENT ACTIVITIES**

In the reporting period, the Sub-Fund did not engage in any research and development activities.

## **F. ENVIRONMENTAL PROTECTION ACTIVITIES OR INDUSTRIAL RELATIONS**

In the reporting period, the Sub-Fund did not engage in any environmental protection activities or industrial relations.

## **G. BRANCHES OR OTHER OPERATIONS ABROAD**

The Sub-Fund has no branches or other operations abroad.

## **Statutory declaration**

To the best of our knowledge, this annual report represents a true and fair view of the Sub-Fund's financial position, business activities and performance in the previous reporting period, and of the outlook for the future development of the Sub-Fund's financial position, business activities and performance.

***Date of preparation*** 19 April 2024

***Signature of statutory representative***

.....  
Conseq Funds investiční společnost, a.s.  
individual statutory body of the Fund  
represented by Ing. Jan Vedral, chairman of the board of directors

(Translation of a report originally issued in Czech - see Note 2 to the financial statements.)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Conseq Active Invest dynamický, podfond Conseq Funds SICAV:

### *Opinion*

We have audited the accompanying financial statements of Conseq Active Invest dynamický, podfond Conseq Funds SICAV (the Fund) prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2023, and the income statement for the year then ended, and notes to the financial statements, including a material accounting policy information. For details of the Company, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2023, and of its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

### *Basis for Opinion*

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The statutory body of Conseq Funds SICAV, a.s. (the Company) is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Fund obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

#### *Responsibilities of the Company's statutory body for the Financial Statements*

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

Ernst & Young Audit, s.r.o.  
License No. 401

Electronically signed  
Lenka Bízová, Auditor  
License No. 2331

Electronically signed  
Tomáš Němec  
Procurist

19 April 2024  
Prague, Czech Republic

**Conseq Active Invest Dynamický,  
podfond Conseq Funds SICAV**

**Financial Statements  
For the Year Ended 31 December 2023**

(Translation of Financial Statements Originally Issued in Czech – See Note 2 to the Financial Statements)

**Conseq Active Invest Dynamický, podfond Conseq Funds SICAV**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2023**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2023**

<b>Assets</b>			
CZK thousands	Note	31 December 2023	31 December 2022
<b>3. Due from banks</b>	4	<b>20,000</b>	<b>25,589</b>
Of which: a) repayable on demand		20,000	20,769
b) other receivables		0	4,820
<b>6. Shares, units and other investments</b>	5	<b>1,078,604</b>	<b>781,553</b>
<b>11. Other assets</b>	6	<b>6,402</b>	<b>7,196</b>
Of which: a) derivatives		4,275	4,333
b) state budget settlement		1,846	2,681
c) other assets		281	182
<b>13. Prepaid expenses and accrued income</b>	7	<b>0</b>	<b>32</b>
<b>Total assets</b>		<b>1,105,006</b>	<b>814,370</b>
<b>Equity &amp; Liabilities</b>			
CZK thousands	Note	31 December 2023	31 December 2022
<b>1. Due to banks</b>	8	<b>6,000</b>	<b>3,800</b>
<b>4. Other liabilities</b>	9	<b>2,007</b>	<b>2,124</b>
Of which: a) derivatives		384	0
b) payables from trading with securities		0	808
c) state budget settlement		82	75
d) other liabilities		1,541	1,241
<b>6. Provisions</b>	10	<b>0</b>	<b>0</b>
Of which: a) for taxes		0	0
<b>Net assets attributable to holders of investor shares</b>	11	<b>1,096,999</b>	<b>808,446</b>
<b>Total equity &amp; liabilities</b>		<b>1,105,006</b>	<b>814,370</b>



**Conseq Active Invest Dynamický, podfond Conseq Funds SICAV**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2023**

**Off-balance sheet items**

CZK thousands	Note	31 December 2023	31 December 2022
<b>3. Receivables from fixed-term transactions</b>	24	<b>530,821</b>	<b>364,021</b>
Of which: b) currency instruments		530,821	364,021
<b>4. Receivables from spot transactions</b>	25	<b>0</b>	<b>6,971</b>
<b>8. Values placed under management</b>	12	<b>1,096,999</b>	<b>808,446</b>
<b>Total off-balance sheet assets</b>		<b>1,627,820</b>	<b>1,179,438</b>

CZK thousands	Note	31 December 2023	31 December 2022
<b>4. Payables from fixed-term transactions</b>	24	<b>526,930</b>	<b>359,688</b>
of which: b) currency instruments		526,930	359,688
<b>3. Payables from spot transactions</b>	25	<b>0</b>	<b>6,971</b>
<b>Total off-balance sheet liabilities</b>		<b>526,930</b>	<b>366,659</b>

**Conseq Active Invest Dynamický, podfond Conseq Funds SICAV**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2023**

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

CZK thousands	Note	2023	2022
<b>1. Interest income and similar income</b>	13	<b>144</b>	<b>223</b>
<b>2. Interest expense and similar expense</b>	14	<b>(168)</b>	<b>(53)</b>
<b>3. Income from shares</b>	15	<b>546</b>	<b>500</b>
<b>4. Commission and fee income</b>	16	<b>1,114</b>	<b>778</b>
<b>5. Commission and fee expense</b>	17	<b>(407)</b>	<b>(410)</b>
<b>6. Gain or loss from financial operations</b>	18	<b>111,425</b>	<b>(88,735)</b>
Of which: realized		23,572	(7,422)
unrealized		87,853	(81,313)
<b>7. Other operating expenses</b>	19	<b>(5)</b>	<b>(10)</b>
<b>9. Administrative expenses</b>	20	<b>(15,205)</b>	<b>(12,385)</b>
<b>19. Profit from ordinary activities before tax</b>		<b>97,444</b>	<b>(100,092)</b>
<b>23. Income tax</b>	22	<b>(82)</b>	<b>(75)</b>
<b>Change in net assets attributable to holders of investor shares</b>		<b>97,362</b>	<b>(100,167)</b>
<b>24. Net profit for the period</b>		<b>0</b>	<b>0</b>

## **1 GENERAL INFORMATION**

### **Information about the Sub-Fund**

Conseq Active Invest Dynamický, podfond Conseq Funds SICAV (“the Sub-Fund”) was incorporated on 1 January 2020 upon its entry in the list of mutual funds maintained by the Czech National Bank by the transformation of the standard fund Invest Progressive, otevřený podílový fond (“the Dissolved Fund”), to a sub-fund of a joint stock company with variable registered capital, which was resolved by the manager during 2019. As at 31 December 2019, the Dissolved Fund was dissolved in accordance with Section 421 (1) of Act No. 240/2013 Coll., on Investment Companies and Investment Funds, and a sub-fund, Conseq Active Invest Dynamický fondu Conseq Funds SICAV a.s. (Id. No. 08805105) (“the Fund”) was established as at 1 January 2020, with the Fund being a mutual fund with a legal personality entitled to create sub-funds. Due to the transformation, the unitholders of the Dissolved Fund became the shareholders of the investor shares issued by the Fund for the Sub-Fund’s account as at the date the Fund was recorded in the Commercial Register. The transformation decisive date (1 January 2020) is also the date as at which the assets and liabilities of the Dissolved Fund were transferred to the Sub-Fund’s assets and liabilities.

The Sub-Fund has no legal personality. The ownership of assets in the Sub-Fund is shared jointly by all of its shareholders and exercised by its manager on the manager’s behalf and for the Sub-Fund’s account (see the information about the manager of the Fund).

The Sub-Fund’s purpose is to exceed benchmark performance by the capital appreciation of entrusted funds measured in EUR, comprising the Bloomberg Developed Markets Large Mid Cap Index (DM Index), the Bloomberg Emerging Markets Large Mid Cap Index (EM Index), the CECE Composite Index in EUR (CECEEUR Index), the Bloomberg Barclays Series-E Euro Govt All 1Y Bond Index (BERPGA Index), the Bloomberg Global Treasury index (BTSYTRUU Index), and the index arising as a result of daily interest derived from the geometric average of the money market rate for 6M EURIBOR (EURI006M Index), calculated and published by Bloomberg. To achieve its purpose, the Sub-Fund primarily invests in securities issued by share funds and, to a lesser extent, in other investment instruments specified in the Sub-Fund’s statutes.

The Sub-Fund has been established for an indefinite period.

In terms of cross-border operations, in 2023 and 2022, the Sub-Fund’s investor shares were offered in Slovakia and Poland.

The current value of the EUR Class investor shares issued by the Fund for the Sub-Fund’s account is denominated in euros (EUR). The current value of PLN Class investor shares issued by the Fund for the Sub-Fund’s account is denominated in Polish zloty (PLN).

### **Information about the Manager of the Fund**

The Sub-Fund’s manager is Conseq Funds investiční společnost, a.s., with its registered office at Rybná 682/14, 110 05 Praha 1, identification number: 248 37 202 (“the Company”).

## **1 GENERAL INFORMATION (CONTINUED)**

The Sub-Fund's depositary is UniCredit Bank Czech Republic and Slovakia, a.s., with its registered office at Želetavská 1525/1, 140 92 Praha 4, business registration number (IČO): 649 48 242 ("the Depositary").

The Sub-Fund's auditor is Ernst & Young Audit, s.r.o., with its registered office at Na Florenci 15, 110 00 Prague 1, business registration number (IČO): 26704153 ("the Auditor").

## **2 ACCOUNTING POLICIES**

### **(a) Basis of Preparation**

The financial statements have been prepared on the basis of accounts maintained in accordance with the Act on Accounting and relevant regulations and decrees effective in the Czech Republic. The financial statements have been prepared under the historical cost convention on the basis of full accrual accounting, except for selected financial instruments that are stated at fair value.

These financial statements have been prepared in accordance with Decree of the Czech Ministry of Finance No. 501/2002, in the wording effective as of 1 January 2018, which regulates the layout and definition of financial statement captions and the extent of disclosures for banks and certain financial institutions. In Section 4a(1), the Decree stipulates that for the purposes of recognition, measurement and disclosure of financial instruments, an entity shall proceed in accordance with International Financial Reporting Standards regulated by directly applicable regulations of the European Union governing the application of international accounting standards (individually "International Accounting Standard" or collectively "IFRS").

The effects of the Decree No. 501/2002, in the wording effective as of 1 January 2018, were reflected as of 1 January 2021.

The accompanying financial statements are presented in Czech crowns, which is the functional currency of the Sub-Fund. Functional currency is the currency of the primary economic environment in which the Sub-Fund operates.

Unless otherwise indicated, all amounts are shown in thousands of Czech crowns ("CZK thousands").

These financial statements are non-consolidated.

The financial statements are based on the assumption that the entity will continue as a going concern and that there is no circumstance that would restrict or prevent the entity's ability to continue as a going concern in the foreseeable future.

## **2 ACCOUNTING POLICIES (CONTINUED)**

The Sub-Fund's financial statements have been prepared in accordance with the following significant accounting policies:

### **(b) Transaction Date**

Depending on the transaction type, the transaction date is generally defined as: the date of payment or cash collection; the date of purchase or sale of foreign currency or securities; date of executing a payment; date of settling the Sub-Fund's orders; date on which (foreign currency) funds are credited, as stated in an account statement; or the trade and settlement date for securities, foreign currency, options or other derivative transactions.

Financial assets and liabilities are recognized at fair value when the Sub-Fund becomes a contracting party to the transaction. Spot purchases and sales of financial assets are recorded in the balance sheet from the settlement date. Derivatives are initially recognized at fair value using the trade date basis.

The Sub-Fund derecognizes a financial asset or part thereof from the balance sheet if it loses control of the contractual rights to the financial asset or part thereof. The Sub-Fund loses this control if it exercises the rights to the benefits defined in a contract, or if such rights expire or are waived by the Sub-Fund. Financial assets at fair value through profit or loss that are sold are derecognized on the trade date.

A financial liability or part thereof is extinguished when the obligation specified in a contract is discharged or cancelled or expires and the Entity no longer recognizes the financial liability or part thereof in the balance sheet. The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to another party and the consideration paid for the liability is recognized in profit or loss.

### **(c) Interest Income and Interest Expense**

Interest income and interest expense on all interest-bearing financial instruments are recognized on an accrual basis using the effective interest rate (EIR) method derived from the fair value at initial recognition, which may include related fees (for debt instruments classified as financial assets at amortized cost (AC) or as financial assets at fair value through other comprehensive income (FVOCI)).

Interest income comprises, in particular, interest on reverse repurchase agreements, bills of exchange, short-term money market deposits, accrued coupons and accrued discount and premium on all fixed income instruments and is presented in the income statement under "Interest income and similar income".

Interest expense comprises, in particular, interest on repurchase agreements, promissory notes and short-term money market loans and is presented in the income statement under "Interest expense and similar expense".

## **2 ACCOUNTING POLICIES (CONTINUED)**

### **(d) Commission and Fee Income**

Fees and commissions are recognized on an accrual basis at the date when service has been provided and are presented in the income statement under “Commission and fee income”.

### **(e) Dividend Income**

Dividend income is recognized on the ex-dividend date when the right to receive payment is established. Dividend income from foreign securities is recognized gross of withholding tax. If the profit share on an issued financial instrument does not qualify for recognition as an equity instrument on the part of the issuer, such distributions are recognized as financial income similar to interest income (i.e., income from a debt instrument) provided the information is available to the Fund at the date of the distribution of the share. Dividend income is presented in the income statement under “Income from shares”.

### **(f) Financial Instruments**

From 1 January 2021, the Sub-Fund applies IFRS 9 Financial Instruments to the classification, measurement and impairment of financial assets and financial liabilities.

The classification of Sub-Fund’s financial assets is based on:

- The business model for managing financial assets;
- The contractual cash flow characteristics of the asset (SPPI – solely payments of principal and interest on the principal outstanding, the “SPPI test”).

Business models assess the entity’s intention regarding a financial asset, i.e., whether the entity plans to collect contractual cash flows, sell the financial asset or both, or uses another business model. The Sub-Fund applies the following business models:

- “Hold and collect” – financial assets at amortized cost (AC);
- “Hold, collect and sell” – financial assets at fair value through other comprehensive income (FVOCI);
- „Fair value management“ – fair value through profit or loss (FVTPL);

#### ***Financial assets at amortized cost***

The “Hold and collect” strategy is aimed at holding financial assets in order to collect contractual cash flows. Examples of such financial assets are loans, securities held to maturity, and trade receivables. Breach of the “Hold and collect” model does not occur even if there is a significant increase in counterparty credit risk during the course of the holding of the financial asset and the Sub-Fund decided to proceed with the sale of that asset.

Financial assets in the “Hold and collect” model are measured at amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition minus the principal repayments plus or minus the cumulative amortized cost using the effective interest method of any difference between that initial amount and the maturity amount (including accrued interest) and adjusted for any impairment losses arising from expected credit loss. Expected credit loss is recognized in profit or loss together with foreign currency differences and interest income using the effective interest rate.

## **2 ACCOUNTING POLICIES (CONTINUED)**

### **(f) Financial Instruments (Continued)**

This category includes financial assets that meet the SPPI test and are debt instruments.

The “Hold, collect and sell” strategy is aimed at both collecting contractual cash flows from the principal and interest and selling financial assets; the model represents the so called “mixed” business model. This model distinguishes two different types of accounting treatment for equity instruments and for debt instruments.

Debt instruments that meet the criteria of the SPPI test in the “hold, collect and sell” business model are measured at fair value through other comprehensive income. When a financial asset is derecognized, the cumulative gain or loss recognized in the balance sheet caption “Valuation differences” is reclassified from equity to profit or loss. Expected credit losses are recognized in profit or loss together with foreign exchange differences arising from remeasurement of financial assets denominated in foreign currencies. Interest income is calculated using the effective interest rate and is presented within “Interest income and similar income”.

Equity instruments that are not held for trading and where an entity makes an irrevocable election on initial recognition to classify them as financial assets at fair value through other comprehensive income (FVOCI) are remeasured through other comprehensive income including FX differences from remeasurement. When this financial asset is derecognized, gain or loss from remeasurement is not reclassified from equity to profit or loss.

#### ***Financial assets at fair value through profit or loss***

The “Fair value management” strategy is used for financial assets included in the portfolio that is managed and whose performance is assessed on a fair value basis. In addition, this category includes financial assets that do not meet the SPPI test, financial instruments acquired for trading, equity instruments that the entity has elected not to classify as financial assets at fair value through other comprehensive income, and all derivatives (the category typically includes debt securities, equity instruments and units, derivatives, loans and receivables). Changes in fair values of these assets including FX differences are recognized in profit or loss. These assets are not subject to ECL calculation. The “Fair Value Management” business model does not meet the conditions for classifying financial assets as at amortized cost (AC) and at fair value through other comprehensive income (FVOCI), and financial assets managed under this model must be remeasured to fair value through profit or loss.

#### ***Business model assessment***

An entity’s business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Accordingly, financial instruments are classified at a higher level of aggregation, i.e., at the portfolio level. The entity considers all relevant information and evidence which is available at the assessment date. The information and evidence considered includes, inter alia, the following:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether entity’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial



## **2 ACCOUNTING POLICIES (CONTINUED)**

### **(f) Financial Instruments (Continued)**

assets to the duration of the liabilities that are funding those assets, or realizing cash flows through the sale of the assets;

- How the performance of the portfolio and of the financial assets held within this business model is evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model and of the financial assets held within this business model, and how those risk are managed;
- How managers of the entity are compensated, e.g., whether compensation is based on the fair value of the portfolio of the financial assets managed or the contractual cash flows collected;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation but as part of an overall assessment of how the entity's overall objective for managing the financial assets is achieved and how cash flows are realized.

#### **Assessment whether contractual cash flows are solely payments of principal and interest (the SPPI test)**

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 solely payments of principal and interest, the Sub-Fund 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 Sub-Fund considers the following:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the entity's claim to cash flows from specified assets;
- Features that modify consideration of the time value of money (e.g., periodical reset of interest rates).

**Owing to the nature of the Sub-Fund's business and the types of financial instruments it holds, all its financial assets and liabilities are measured at fair value through profit or loss (FVTPL) under the "Fair Value Management" business model.**

## **2 ACCOUNTING POLICIES (CONTINUED)**

### **(f) Financial Instruments (Continued)**

#### ***Initial recognition***

Financial assets at fair value through profit or loss (FVTPL) are recognized at the settlement date, except for financial derivatives. From the date the Fund commits to purchase these assets, all costs and income arising from changes in the fair values of these assets are recognized in the income statement.

#### ***Measurement***

Subsequent to initial recognition, all financial instruments measured at fair value through profit or loss are remeasured to fair value.

#### ***Gains and losses on subsequent measurement***

Gains and losses on subsequent measurement of financial assets at fair value through profit or loss are recognized in the income statement.

#### ***Impairment loss on financial assets due to expected credit losses***

All of the Fund's financial assets are carried at fair value and, accordingly, the Fund recognizes no impairment losses due to expected credit losses.

#### ***Offsetting financial instruments***

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet only when the Fund has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Certain financial assets and liabilities that may be offset on the basis of legally enforceable contractual arrangements are not offset in the financial statements and not reported on a net basis. For the summary of financial assets and liabilities that may be offset on the basis of contractual arrangements, refer to Note 26.

#### ***i. Cash and cash equivalents***

Cash equivalents of the Fund include cash on hand and deposits with banks payable on demand, treasury bills and government bonds with a residual maturity of three months or less. Cash and demand deposits are measured at their nominal value, which corresponds to their fair value. Treasury bills and government bonds are measured at fair value through profit or loss.

#### ***ii. Securities financing agreements***

Securities purchased or borrowed under agreements to resell (reverse repo operations) are not recognized in the balance sheet. Securities sold or lent under repurchase agreements (repo operations) are retained in their original portfolio. The underlying cash flows are reported at the settlement date as "Due from banks", "Due from clients", "Due to banks" and "Due to clients".

## **2 ACCOUNTING POLICIES (CONTINUED)**

### **(f) Financial Instruments (Continued)**

Securities received under a reverse repurchase agreement and sold to third parties are recorded at fair value as trading liabilities. Liabilities from trading in debt securities are reported as “Liabilities from debt securities” in the case of short sales and as “Other liabilities” in other cases; “Liabilities from trading in shares” are reported as “Other liabilities”.

#### ***iii. Securities at fair value through profit or loss***

Securities acquired under the “Fair value management” business model are measured at fair value through profit and loss. Securities measured at fair value through profit or loss are initially recognized at fair value (generally the transaction price) and subsequently measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are charged directly to profit or loss. All related gains and losses are included in profit or loss on financial operations. Any related gains and losses are included in profit or loss on financial operations. Spot purchases and sales are recognized on the settlement date. The change in the fair value of the security between the trade date and the settlement date is charged to profit or loss on financial operations. Forward transactions are recognized as derivatives. Interest on securities at fair value through profit or loss is recognized as interest income from securities.

#### ***iv. Financial derivatives***

Financial derivatives are initially recognized on the balance sheet at cost or sale price (assuming they are at fair value) and subsequently measured at fair value. Fair values are derived from market prices, discounted cash flow models or option pricing models. All derivatives are reported in “Other assets” if their fair value is positive or in “Other liabilities” if their fair value is negative for the Fund.

Derivatives embedded in other financial instruments where the host instrument does not meet the definition of a financial asset under IFRS 9 are recognized as separate derivatives if their risks and characteristics are not closely related to those of the host contract and the host contract is not recognized at fair value through profit or loss.

Changes in the fair values of financial derivatives that are not used for hedge accounting purposes are recorded under “Gain or loss from financial operations”.

#### ***v. Units issued by the Fund***

Due to the Fund’s redemption obligation, securities issued by the Fund (units/investor shares) do not meet the principal condition under IAS 32 to be classified as equity instruments and are therefore financial liabilities. However, the conditions set out in paragraphs 16A–16B and 16C–16D also allow certain financial liabilities to be classified as equity instruments.

In accordance with IAS 32, the Fund assessed the nature of the instruments issued by the Fund and concluded that the instruments issued did not meet the additional conditions set out in paragraphs 16A–16B and 16C–16D, respectively, and therefore cannot be classified as equity instruments. Accordingly, the financial instruments issued and any other items relating to the measurement of the net asset shares of unitholders are recognized within the Fund’s liabilities

## **2 ACCOUNTING POLICIES (CONTINUED)**

### **(f) Financial Instruments (Continued)**

under “Net assets attributable to holders of investor shares”. These liabilities are measured at a value equal to the carrying amount of the Fund’s net assets attributable to investor shares and any changes in their value are recognized to profit or loss under “Change in net assets attributable to holders of investor shares”. Items “Net assets attributable to holders of investor shares” and “Change in net assets attributable to holders of investor shares” have been added to the balance sheet and profit and loss statement beyond the structure prescribed in Annex 1 to Decree No. 501/2002 Coll., thus separating the effects of operations related to the value of issued investor shares from the Fund’s other operations in order to improve the clarity of the financial statements for their users. Any profit shares distributed are not dividends in the true sense of the word, but rather a financial charge related to the security issued (i.e., a financial liability that is measured at fair value through profit or loss).

#### **vi. Receivables**

The Fund’s receivables that meet the definition of a financial asset are measured at fair value. Bad debts are written off when the debtor’s bankruptcy proceedings are closed.

#### **vii. Financial liabilities**

The Fund classifies its financial liabilities as at fair value through profit or loss (FVTPL) if they are contingent consideration recognized by the acquirer in a business combination, are held for trading or are designated as instruments at fair value through profit or loss.

Financial liabilities are classified as held for trading if:

- They have been acquired principally for the purpose of repurchasing them in the near term; or
- On initial recognition they are part of a portfolio of identified financial instruments that the Fund manages together and have a recent actual pattern of short-term profit-taking; or
- They are derivatives (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments).

Financial liabilities may be designated as at fair value through profit or loss (FVTPL) upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Fund’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

## **2 ACCOUNTING POLICIES (CONTINUED)**

### **(g) Recognition of Provisions**

A provision represents a probable cash outflow of uncertain timing or amount. A provision is recognized if all of the following criteria are met:

- A present obligation (legal or constructive) exists as a result of a past event;
- It is probable or certain that an outflow of economic benefits will be required to settle the obligation (“probable” means a probability exceeding 50%);
- The amount of the obligation can be reliably estimated.

### **(h) Foreign Currency Translation**

Transactions denominated in foreign currencies are recorded in the local currency at the exchange rate prevailing on the transaction date. Assets and liabilities denominated in foreign currencies, together with unsettled foreign exchange spot transactions, are translated into the local currency at the Czech National Bank official rate prevailing as at the balance sheet date. The net foreign exchange gain/loss arising from the translation of foreign currency assets, liabilities, share premium and other capital funds, except for investments denominated in foreign currencies and items that hedge currency risk resulting from agreements not yet recorded in the Sub-Fund’s balance sheet or from expected future transactions, is recognized in the income statement as “Gain or loss from financial operations”.

“FX gains (losses)” in the statement of changes in equity shows an effect of FX rates on the translation of the nominal value of foreign currency units and a relevant portion of the share premium into Czech crowns.

### **(i) Income Tax**

Tax expense comprises current and deferred tax, as well as withholding tax to the extent that it cannot be deducted from current tax.

Current tax comprises an estimate of tax payable calculated based on the taxable income, using the tax rate valid as at first day of the period.

## **2 ACCOUNTING POLICIES (CONTINUED)**

### **(i) Income Tax (Continued)**

An income tax provision is established as the financial statements are prepared before the tax liability is determined. In the subsequent period, the Company releases this provision and records the actual tax liability determined.

In the balance sheet, the income tax provision is reduced by income tax prepayments, and the net receivable (if any) is recorded in “Other assets”.

### **(j) Value Added Tax**

Since the Sub-Fund is not a registered value added tax (VAT) payer, any input VAT is expensed as incurred.

### **(k) Deferred Tax**

Deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities presented in the balance sheet and the amounts used for taxation purposes, using the full liability method. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which it can be utilized.

Deferred tax is calculated using the tax rate enacted for the period in which the Company expects to utilize the deferred tax asset/liability.

### **(l) Related Parties**

In accordance with IAS 24 (Related Party Disclosures), a related party of the Sub-Fund is defined as a party that:

- a) has control of the entity;
- b) has significant influence over the entity as a result of an interest in that entity;
- c) is a member of the key management personnel of the Company;
- d) is a close member of the family of an individual covered by c).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Material related party transactions and balances and methods of determining the prices of related party transactions are provided in Note 23.

### **(m) Items Relating to Other Periods**

Items relating to another period are recognized as current period income or expenses, with the exception of corrections of material errors relating to the recognition of prior period income or expenses and changes in accounting policies, which are recognized under “Retained earnings/accumulated losses” in the Sub-Fund’s balance sheet.

## **2 ACCOUNTING POLICIES (CONTINUED)**

### **(n) Changes in Accounting Policies Effective for the Current Period**

There were no changes in accounting policies and procedures in 2023.

For the purposes of recognition, measurement and disclosure of financial instruments, since 1 January 2021 the Sub-Fund has followed International Financial Reporting Standards regulated by directly applicable regulations of the European Union governing the application of international accounting standards (“IFRS”).

### **(o) Changes in Accounting Policies Arising from Adoption of New and Revised Standards – Impact of Standards and Interpretations Issued but Not Yet Effective**

The Fund has considered the use of new standards and interpretations that are not yet effective for the current period but can be early adopted. The new standards and interpretations have not been applied in the preparation of these financial statements.

#### **Annual Improvements – 2018–2021 cycle**

(Effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.)

#### **i. Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting policies**

The amendments replace the term “significant accounting policies” with “material accounting policy information” and require entities to disclose material accounting policy information instead of significant accounting policies.

#### **ii. Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates**

The amendments introduce a definition of “accounting estimates” and include further amendments to IAS 8 to clarify how to distinguish changes in accounting policies from changes in estimates. This distinction is important because changes in accounting policies are generally applied retrospectively, whereas changes in estimates are accounted for in the period in which the change occurs.



## **2 ACCOUNTING POLICIES (CONTINUED)**

### **(o) Changes in Accounting Policies Arising from Adoption of New and Revised Standards – Impact of Standards and Interpretations Issued but Not Yet Effective (Continued)**

#### **iii. Amendments to IAS 12 Income taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendments narrow the scope of the initial recognition exception so that it does not apply to transactions that give rise to identical temporary differences (taxable and deductible) that are subject to offsetting. Accordingly, entities will not be required to account for deferred tax assets and deferred tax liabilities for temporary differences arising on initial recognition of leases and decommissioning provision.

#### **New and revised IFRSs issued by the IASB, but not yet adopted by the European Union:**

(Effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.)

#### **i. Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current**

The amendments clarify that the classification of liabilities as current and non-current is based on the entity's right to defer settlement in existence at the end of the reporting period. The entity's right to defer settlement for at least 12 months from the balance sheet date need not be unconditional but must be for a material reason. Classification is not affected by management's intentions or expectations as to whether and when the entity intends to exercise that right. The amendments also introduce a definition of "arrangement" to make it clear that the arrangement refers to the transfer of cash from the counterparty, capital instruments, other assets or services.

#### **ii. Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosure – Supplier Finance Arrangements**

The amendments to IAS 7 add a disclosure objective stating that an entity is required to disclose information about its supplier finance arrangements that enables users of its financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. The amendments to IFRS 7 add supplier finance arrangements as an additional disclosure requirement about an entity's exposure to liquidity risk. The disclosures concerning supplier finance arrangements should include the following:

- The approach to the presentation of significant supplier finance arrangements and the judgements made in applying that policy,
- How supplier financing transactions have been reflected in the statement of cash flows,
- The carrying amount of the liabilities in question and the line items in which they are presented,
- Liquidity risk.

**iii. Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability**

The amendments specify when a currency is exchangeable into another currency (an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose) and when it is not exchangeable (an entity can only obtain an insignificant amount of the other currency). The amendments also specify additional disclosures required from an entity when a currency is not exchangeable to enable users of its financial statements to evaluate how a currency's lack of exchangeability affects its financial performance, financial position and cash flows. The amendments also include a new appendix with application guidance on exchangeability and a new illustrative example.

**iv. Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback**

The amendments contain additional requirements concerning subsequent measurement of sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as an asset sale. The amendments require the seller-lessee to establish "lease payments" or "revised lease payments" in a way that the seller-lessee does not recognize any gain or loss that relates to the right of use it retains. The amendments do not affect a gain or loss recognized by the seller-lessee in connection with the partial or full termination of a lease. The amendments include a new illustrative example that illustrates the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that are not index or rate dependent. The illustrative example explains that a liability arising from a sale and leaseback transaction that is classified as a sale under IFRS 15 is a lease liability.

**v. Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

(Effective date postponed indefinitely, but earlier application is possible.)

The amendments clarify that, in the case of a transaction involving an associate or joint venture, the extent of recognizing gain or loss depends on whether the assets sold or contributed constitute a business, and:

- a full gain or loss is recognized when a transaction between an investor and its associate or joint venture involves a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognized when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business (even if these assets are housed in a subsidiary).

The Fund does not expect the adoption of the above standards and amendments to existing standards to have a material impact on the Fund's financial statements in future periods.

## **2 ACCOUNTING POLICIES (CONTINUED)**

### **(p) Subsequent Events**

The effect of events that occur between the balance sheet date and the date of the approval of the financial statements is reflected in the financial statements where such events provide additional evidence of conditions that existed at the balance sheet date.

The impact of material events occurring between the balance sheet date and the date of preparation of the financial statements is described in the notes but not recognized in the financial statements where such events are indicative of conditions that arose after the balance sheet date.

### **Explanation Added for Translation into English**

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

### **3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES**

The separate financial statements contain amounts that have been determined on the basis of judgements and by the use of estimates and assumptions. The estimates and assumptions used are based on historical experience and other factors, such as planning as well as expectations and forecasts of future events that are currently deemed to be reasonable. As a consequence of the uncertainty associated with these assumptions and estimates, actual results could in future periods lead to adjustments in the carrying amounts of the related assets or liabilities.

Accounting judgements, estimates and assumptions are regularly reassessed, and changes are reflected in accounting books.

The most significant uses of judgements, assumptions and estimates are as follows:

#### **i. *Business Model Assessment***

The classification and measurement of financial assets depends on the results of the contractual cash flow characteristics test (i.e., whether they consist solely of principal and interest payments, the “SPPI test”) and on the assessment of the business model (see Note 2(f) Financial Instruments), which defines how the Fund manages financial assets to generate cash flows. The Fund determines the business model at a level that reflects how portfolios of financial assets are managed to achieve its stated objectives, based in particular on the Fund’s strategy, the financial instruments in the portfolio, performance evaluation, risk monitoring and the evaluation/compensation of portfolio managers. In assessing whether cash flows are comprised solely of principal and interest payments, the Company evaluates the contractual terms of the instrument, which includes evaluating whether a financial asset includes contractual arrangements that may alter the timing and amount of the contractual cash flows.

The Fund monitors financial assets that are derecognized before their maturity date to understand the reasons for their sale and whether those reasons are consistent with the purpose for which the asset is held. Monitoring is part of the Fund’s ongoing assessment of whether the business model under which the remaining assets are held is still appropriate and, if not, whether there has been a change in the business model and therefore a potential change in the classification of these assets. No such changes were required during the reporting period.

#### **i. *Assessment of Issued Investor Shares Classification***

Securities (investor shares) issued by the Fund include an obligation to redeem an investor share of the Fund for an amount equal to its current value as announced on the last day of the calendar month in which the Company received the request to redeem the investor share. Accordingly, the securities issued by the Fund do not meet the principal condition under IAS 32 for classification as an equity instrument. Based on further consideration of the nature of the securities issued that provide for the exemptions in IAS 32 paragraphs 16A–16B and 16C–16D, respectively, the Fund has concluded that, due to the issuance of two classes of investor shares that do not meet the conditions of equality of owners, the Fund will present the investor shares issued as a financial liability within “Net assets attributable to holders of investor shares”.

#### **ii. *Fair Value of Financial Instruments***

For information about assumptions and estimates that have a significant effect on reported fair values of financial instruments, refer to Note 28.

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**4 DUE FROM BANKS**

In CZK thousands	31 December 2023	31 December 2022
Current accounts at banks	20,000	20,769
Term deposits	0	4,820
<b>Total</b>	<b>20,000</b>	<b>25,589</b>

**5 SHARES, UNITS AND OTHER INVESTMENTS**

All units are included in the portfolio of securities at fair value through profit or loss.

Units of other funds for collective investment form the most important item of assets.

In CZK thousands	31 December 2023	31 December 2022
Units	1,078,604	781,553
<b>Total</b>	<b>1,078,604</b>	<b>781,553</b>

The vast majority of units in the Sub-Fund's portfolio is subscribed and sold for the current value of fund capital per unit and redeemed through an investment company, or a person authorized by an investment company, which maintains the primary records of these securities and publishes the value of a unit.

A detailed breakdown of units is described in Note 28 Financial Instruments.

**6 OTHER ASSETS**

In CZK thousands	31 December 2023	31 December 2022
Positive fair values of FX derivatives	4,275	4,333
State budget settlement	1,846	2,681
Estimated receivables	281	182
<b>Total</b>	<b>6,402</b>	<b>7,196</b>

**7 PREPAID EXPENSES**

In CZK thousands	31 December 2023	31 December 2022
Prepaid expenses	0	32
<b>Total</b>	<b>0</b>	<b>32</b>

**8 DUE TO BANKS**

In CZK thousands	31 December 2023	31 December 2022
Margin account – margin call	6,000	3,800
<b>Total</b>	<b>6,000</b>	<b>3,800</b>

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**9 OTHER LIABILITIES**

In CZK thousands	31 December 2023	31 December 2022
Derivatives	384	0
Payables from trading with securities	0	808
State budget settlement	82	75
Estimated payables	1,541	1,241
Negative fair value of currency derivatives	0	0
<b>Total</b>	<b>2,007</b>	<b>2,124</b>

Estimated payables of CZK 1,541 thousand (2022: CZK 1,241 thousand) represent, in particular, estimated management fees for the Sub-Fund of CZK 1,308 thousand (2022: CZK 1,043 thousand), performance fees of CZK 0 thousand (2022: CZK 0 thousand), Depositary services of CZK 73 thousand (2022: CZK 58 thousand), audit fees of CZK 82 thousand (2022: CZK 87 thousand), investment consulting of CZK 71 thousand (2022: CZK 23 thousand), and custody fees of CZK 7 thousand (2022: CZK 30 thousand).

**10 PROVISIONS FOR TAXES**

In CZK thousands	31 December 2023	31 December 2022
Provisions	0	0
Of which: b) for taxes	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

A detailed breakdown of income tax provisions is described in Note 22 Income Tax.

**11 NET ASSETS AND EQUITY ATTRIBUTABLE TO INVESTOR SHARES**

	31 December 2023	31 December 2022
Net assets attributable to the Sub-Fund's investor shares (in CZK thousands)	1,096,999	808,446
Allocation ratio for the Class (EUR): 86.4322%	948,160	724,908
Allocation ratio for the Class (PLN): 13.5678%	148,839	83,538
Number of investor shares issued (quantity) (EUR)	313,039,977	269,540,003
Number of investor shares issued (quantity) (PLN)	17,016,189	12,014,931
Net assets per investor share (CZK)	3.0294	2.6894
Net assets per investor share (EUR)	0.1225	0.1115
Net assets per investor share (CZK)	8.7369	6.9529
Net assets per investor share (PLN)	1.5344	1.3498

The current value of an investor share is defined as the Sub-Fund's net assets attributable to one investor share. The Sub-Fund's net assets are understood to be the Sub-Fund's asset value decreased by the Sub-Fund's debt.

## **11 NET ASSETS AND EQUITY ATTRIBUTABLE TO INVESTOR SHARES (CONTINUED)**

Investor shares of the Sub-Fund are offered at a price equal to the current value of an investor share of the Sub-Fund increased by selling fees.

The Company applied the CZK/EUR exchange rate of 24.725 declared by the Czech National Bank for 31 December 2023 to translate the value of investor shares denominated in EUR into CZK (in the previous period, the Company applied the CZK/EUR exchange rate declared by the Czech National Bank for 31 December 2022: 24,115).

The Company applied the CZK/PLN exchange rate of 5.694 declared by the Czech National Bank for 31 December 2023 to translate the value of investor shares denominated in PLN into CZK (in the previous period, the Company applied the CZK/PLN exchange rate declared by the Czech National Bank for 31 December 2022: 5.152).

Investor shares sold and repurchased can be analyzed as follows:

In CZK thousands	Number of investor shares	Capital funds
Balance as at 1 January 2023	281,554,934	781,697
Investor shares sold	90,446,052	280,974
Investor shares repurchased	(41,944,820)	(122,750)
FX gains (losses)	-	32,966
<b>Balance as at 31 December 2023</b>	<b>330,056,166</b>	<b>972,887</b>
In CZK thousands	Number of investor shares	Capital funds
Balance as at 1 January 2022	221,489,024	623,059
Investor shares sold	90,653,897	273,963
Investor shares repurchased	(30,587,987)	(92,546)
FX gains (losses)	-	(22,779)
<b>Balance as at 31 December 2022</b>	<b>281,554,934</b>	<b>781,697</b>

The item FX gains, which includes a profit of CZK 32,966 thousand (2022: a loss of CZK (22,779) thousand), in the statement of changes in net assets attributable to holders of investor shares shows FX difference arising from the translation of investor shares denominated in foreign currency into Czech crowns.

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**11 NET ASSETS AND EQUITY ATTRIBUTABLE TO INVESTOR SHARES (CONTINUED)**

**Profit distribution/loss compensation**

The 2023 profit of CZK 97,362 thousand will be proposed to be transferred to net assets attributable to holders of investor shares.

The 2022 loss of CZK 100,167 thousand was transferred to net assets attributable to holders of investor shares.

**Statement of changes in equity and net assets attributable to holders of investor shares for the year ended 31 December 2023**

In CZK thousands	Net assets attributable to holders of investor shares	Capital funds	Retained earnings/ accumulated losses	Profit/loss for the period	Total
<b>Balance as at 1 January 2023</b>	<b>808,446</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>808,446</b>
Profit distribution	0	0	0	0	0
Investor shares sold	280,974	0	0	0	280,974
Investor shares repurchased	(122,750)	0	0	0	(122,750)
FX gains (losses) on translation of foreign currency investment share class	32,966	0	0	0	32,966
Net profit/loss for the period	97,362	0	0	0	97,362
<b>Balance as at 31 December 2023</b>	<b>1,096,999</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,096,999</b>

**Statement of changes in equity and net assets attributable to unitholders/holders of investor shares for the year ended 31 December 2022**

In CZK thousands	Net assets attributable to holders of investor shares	Capital funds	Retained earnings/ accumulated losses	Profit/loss for the period	Total
<b>Balance as at 1 January 2022</b>	<b>749,977</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>749,977</b>
Profit distribution	0	0	0	0	0
Investor shares sold	273,963	0	0	0	273,963
Investor shares repurchased	(92,546)	0	0	0	(92,546)
FX gains (losses) on translation of foreign currency investment share class	(22,779)	0	0	0	(22,779)
Net profit/loss for the period	(100,167)	0	0	0	(100,167)
<b>Balance as at 31 December 2022</b>	<b>808,446</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>808,446</b>

\*From 1 January 2021, the Fund applies IFRS 9 Financial Instruments for the purposes of recognition, measurement and disclosure of financial instruments. Due to fact that the units issued by the Fund are classified as a financial liability under IAS 32(16), the statement of changes in equity has been replaced with the statement of changes in net assets attributable to unitholders.



## **12 VALUES PLACED UNDER MANAGEMENT**

Net assets attributable to investor shares totaling CZK 1,096,999 thousand as at 31 December 2023 (2022: CZK 808,446 thousand) are managed by the Company. The fee for the management of the Sub-Fund is disclosed in Note 23.

## **13 INTEREST INCOME AND SIMILAR INCOME**

In CZK thousands	2023	2022
Income from margin call	116	223
Income from term deposit	28	0
<b>Total</b>	<b>144</b>	<b>223</b>

## **14 INTEREST EXPENSE AND SIMILAR EXPENSE**

In CZK thousands	2023	2022
Bank interest expense	0	8
Margin call expense	174	42
Term deposit expense	(6)	3
<b>Total</b>	<b>168</b>	<b>53</b>

## **15 INCOME FROM SHARES**

In CZK thousands	2023	2022
Dividends received	546	500
<b>Total</b>	<b>546</b>	<b>500</b>

## **16 COMMISSION AND FEE INCOME**

In CZK thousands	2023	2022
Renewal commission	1,114	778
<b>Total</b>	<b>1,114</b>	<b>778</b>

A renewal commission is a fee for brokers' work paid out annually on the anniversary of a contract's conclusion.

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**17 COMMISSION AND FEE EXPENSE**

In CZK thousands	2023	2022
Bank fees	52	44
Other fees	355	366
<b>Total</b>	<b>407</b>	<b>410</b>

**18 GAIN OR LOSS FROM FINANCIAL OPERATIONS**

In CZK thousands	2023	2022
Gain or loss from securities transactions	(122,711)	(99,101)
Gain or loss from currency transactions	30,240	38,356
Gain or loss from derivative transactions	(18,954)	(27,990)
<b>Total</b>	<b>111,425</b>	<b>(88,735)</b>

**19 OTHER OPERATING EXPENSES**

In CZK thousands	2023	2022
Other operating income	5	10
<b>Total</b>	<b>5</b>	<b>10</b>

**20 ADMINISTRATIVE EXPENSES**

In CZK thousands	2023	2022
Fee for the management of the Sub-Fund	13,994	11,296
Fee for Depositary's services	793	637
Audit fee	133	177
Consulting	238	123
Licenses	32	34
Other	15	118
<b>Total</b>	<b>15,205</b>	<b>12,385</b>

The Sub-Fund is managed by the Company, to which it pays management fees. The fees are recognized on an accrual basis in accordance with the Sub-Fund's statutes.

In compliance with the Sub-Fund's statutes, the management fee is 1.5% (2022: 1.5%) of the Sub-Fund's average annual net asset value. In compliance with an agreement with the Sub-Fund's Depositary, the fee for Depositary's services is 0.07% (2022: 0.7%) of the Sub-Fund's net asset value as at the last calendar day in the respective month.

The Sub-Fund was not in compliance with the criteria for the payment of performance fees in 2023 and 2022.

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## 21 REVENUE/EXPENSES BY AREAS

### Geographical areas

In CZK thousands	Czech Republic		European Union		Total	
	2023	2022	2023	2022	2023	2022
Interest income and similar income	144	223	0	0	144	223
Income tax	0	0	(82)	(75)	(82)	(75)
Interest expense and similar expense	(168)	(53)	0	0	(168)	(53)
Commission and fee income	1,114	778	0	0	1,114	778
Commission and fee expense	(407)	(410)	0	0	(407)	(410)
Income from shares	0	0	547	500	547	500
Gain or loss from financial operations	32,854	15,198	78,571	(103,933)	111,425	(88,735)
Other operating expenses	0	0	(5)	(10)	(5)	(10)
Administrative expenses	(15,205)	(12,385)	0	0	(15,205)	(12,385)

## 22 INCOME TAX

### (a) Income Tax

In CZK thousands	2023	2022
Current tax for the period	75	75
Deferred tax	0	0
<b>Total</b>	<b>75</b>	<b>75</b>

### (b) Current Tax for the Period

In CZK thousands	2023	2022
Profit/(loss) before tax	97,444	(100,092)
Tax non-deductible expenses	0	102
Income subject to withholding tax using a special tax rate	(546)	(500)
Effect of changes in accounting policies	0	0
Taxable income	96,897	(100,490)
Utilization of previously unrecognized tax losses	(96,897)	0
<b>Subtotal</b>	<b>0</b>	<b>(100,490)</b>
<b>Current income tax at 5%</b>	<b>0</b>	<b>0</b>
Separate taxable income	546	500
<b>Tax payable on separate taxable income – withholding tax</b>	<b>82</b>	<b>75</b>
<b>Total current income tax</b>	<b>82</b>	<b>75</b>

As at 31 December 2023, the Company recorded a receivable due from government of CZK 1,764 thousand, resulting from a tax liability of CZK 82 thousand, less tax prepayments made of CZK 1,846 thousand. As of December 31, 2023, the fund reported a tax loss of 3,593 thousand CZK, which can be utilized in future years.

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As at 31 December 2022, the Company recorded a receivable due from government of CZK 2,606 thousand, arising from tax prepayments made of CZK 2,681 thousand less the Company's tax liability of CZK 75 thousand.

## **23 RELATED PARTY TRANSACTIONS**

In CZK thousands	31 December 2023	31 December 2022
Receivables		
Estimated receivables	281	182
Prepaid expenses related to fee for securities held	0	32

In CZK thousands	31 December 2023	31 December 2022
Liabilities		
Estimated payables	1,308	1,096

In CZK thousands	2023	2022
Revenues		
Renewal commission	1,114	778

In CZK thousands	2023	2022
Expenses		
Fee for the management of the Sub-Fund	13,994	11,296
Performance premium	0	0
Expenses related to fee for securities held	0	260

The table includes all related party transactions.

All transactions with related parties were carried out on an arm's length basis and in compliance with the conditions defined in the Sub-Fund's statutes.

In 2023, the Sub-Fund incurred a management fee totaling CZK 13,994 thousand (2022: CZK 11,296 thousand), which was paid to Conseq Funds investiční společnost, a.s., and a fee for securities held of CZK 0 thousand (2022: CZK 260 thousand), which was paid to Conseq Investment Management, a.s.

## **24 RECEIVABLES AND PAYABLES FROM FIXED-TERM TRANSACTIONS WITH CURRENCY INSTRUMENTS**

In CZK thousands	31 December 2023			31 December 2022		
	Off-balance sheet items		Fair value	Off-balance sheet items		Fair value
	Receivables	Payables		Receivables	Payables	
<b>Instruments held for trading</b>						
Fixed-term currency transactions	530,821	(526,930)	3,891	364,021	(359,688)	4,333
<b>Total</b>	<b>530,821</b>	<b>(526,930)</b>	<b>3,891</b>	<b>364,021</b>	<b>(359,688)</b>	<b>4,333</b>

In the period from 18 December 2023 to 20 December 2023, the Fund concluded several currency swaps to exchange USD for EUR and PLN for EUR, with the settlement date on or after 31 January 2024. The values recorded off balance sheet comprise the related receivable and liability. The Fund maintains a margin account to cover losses on the derivative transactions.

In the period from 6 December 2022 to 9 December 2022, the Fund concluded several currency swaps to exchange USD for EUR and PLN for EUR, with the settlement date on or after 25 January 2023. The values recorded off balance sheet comprise the related receivable and liability. The Fund maintains a margin account to cover losses on the derivative transactions.

## **25 RECEIVABLES AND PAYABLES FROM SPOT TRANSACTIONS**

As at 31 December 2023, the Fund concluded several spot transactions for equity instruments totaling CZK 0 thousand (2022: CZK 6,971 thousand).

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## 26 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Summary of financial assets and liabilities that may be offset on the basis of contractual arrangements but are not reported on a net basis:

<b>31 December 2023</b>				Collateral not offset in B/S		
In CZK thousands	Asset/liability amount presented in B/S	Asset/liability amount offset in B/S	Net amount presented in B/S	Financial instrument	Cash	Net
Positive values of financial derivatives	4,275	0	4,275	0	(6,000)	(1,725)
Receivables from unsettled securities transactions	0	0	0	(0)	0	0
Negative values of financial derivatives	(384)	0	0	0	+0	(384)
Liabilities from unsettled securities transactions	(0)	0	0	+0	0	0

In December 2023, the Fund concluded several currency swaps to exchange USD for EUR and PLN for EUR with the settlement date from January to February 2024; the positive fair value of the swaps totaled CZK 3,891 thousand. The Fund maintains margin accounts to cover the gains/losses on the derivative transactions. The margin accounts totaled CZK 6,000 thousand as at 31 December 2023, while the net value of financial derivatives (receivables/liabilities) was CZK (2,109) thousand.

<b>31 December 2022</b>				Collateral not offset in B/S		
In CZK thousands	Asset/liability amount presented in B/S	Asset/liability amount offset in B/S	Net amount presented in B/S	Financial instrument	Cash	Net
Positive values of financial derivatives	4,333	0	4,333	0	(3,800)	575
Receivables from unsettled securities transactions	0	0	0	(0)	0	0
Negative values of financial derivatives	(0)	0	0	0	+0	0
Liabilities from unsettled securities transactions	(808)	0	808	808	0	0

In December 2022, the Fund concluded several currency swaps to exchange USD for EUR and PLN for EUR with the settlement date in January 2023; the positive fair value of the swaps totaled CZK 4,333 thousand. The Fund maintains margin accounts to cover the gains/losses on the derivative transactions. The margin accounts totaled CZK 3,800 thousand as at 31 December 2022, while the net value of financial derivatives (receivables/liabilities) was CZK 575 thousand.

In December 2022, the Fund acquired a security with a cost of CZK 808 thousand.

## **27 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES**

The Fund classifies its financial assets and financial liabilities as measured at:

**Assets**

- Fair value through profit or loss (FVTPL); or

**Liabilities**

- Fair value through profit or loss (FVTPL); or

The following table provides a reconciliation between balance sheet items and measurement categories of financial assets and financial liabilities:

In CZK thousands	Financial assets at fair value	Financial liabilities at fair value	Total
<b>As at 31 December 2023</b>			
Cash and cash equivalents	20,000	0	<b>20,000</b>
Shares, units and other investments	1,078,604	0	<b>1,078,604</b>
Other assets – positive values of financial derivatives	4,275	0	<b>4,275</b>
Due to banks	0	(6,000)	<b>(6,000)</b>
Other liabilities – negative values of financial derivatives	0	(384)	<b>(384)</b>
<b>Total</b>	<b>1,102,879</b>	<b>(6,384)</b>	<b>1,096,495</b>
<b>As at 31 December 2022</b>			
Cash and cash equivalents	25,589	0	<b>25,589</b>
Shares, units and other investments	781,553	0	<b>781,553</b>
Other assets – positive values of financial derivatives	7,196	0	<b>7,196</b>
Due to banks	0	(3,800)	<b>(3,800)</b>
Other liabilities – negative values of financial derivatives	0	(0)	<b>(0)</b>
<b>Total</b>	<b>814,338</b>	<b>(3,800)</b>	<b>810,538</b>

## **28 FAIR VALUE OF ASSETS AND LIABILITIES**

The best indication of fair value is quoted market price in an active market. Where such prices are available, they are used to measure the fair value (**level 1** of the fair value hierarchy).

In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as **level 2**.

## **28 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)**

If no market prices are available, the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the instrument is classified as **level 2** of the fair value hierarchy. For **level 2** valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters.

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor of valuation models that rely entirely on observable market data. In these cases, individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant, the instrument is classified as **level 3** of the fair value hierarchy. In determining **level 3** values, expert opinions using prescribed asset valuation methods (expected cash flows, market development, etc.), third-party valuation models and the Administrator's internal models are also used to determine fair value; for details, refer to Note 25(c).

### **(a) Cash and Cash Equivalents**

The fair value approximates their carrying amount. These financial assets are classified within level 2 of the fair value hierarchy.

### **(b) Money Market Instruments**

The fair value of short-term deposit is determined as the sum of the principal value and agreed interest accrued as at the valuation date.

### **(c) Securities Issued by Investment Funds**

The fair value of security issued by investment funds will be the value of this security announced as at the valuation date.

If the repurchase of security issued by investment fund has been stopped, an investment manager will determine the fair value of this security with reference to an estimate made with due diligence and with the Fund Depositary's consent.

### **(d) Derivatives**

Currency forwards are valued using the standard valuation models, such as discounted cash flow models.

Interest rate swaps are valued at fair value using measurement tools available from Bloomberg, according to currently valid methodology of this company and according to practices widely recognized on markets.

### **(e) Other Assets and Liabilities**

Current assets and current liabilities maturing within one year are valued at their nominal value, which is considered to be comparable with the fair value. The valuation is classified as level 3.

### **(f) Other Assets and Liabilities at Fair Value Classified as Level 3**

Position within level 3 comprises one or more significant inputs, which are not observable in the market. The valuation of the position at fair value is the responsibility of the Sub-Fund's Administrator, who proceeds in compliance with the applicable Valuation Policy.



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**28 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)**

Other investments are measured at amortized cost, which is considered to be comparable with the fair value determined on the basis of discounting the expected cash flows, while the applied EIR is periodically compared with the market developments.

**(g) Fair Value Hierarchy**

In CZK thousands	Level 1	Level 2	Level 3	Total
<b>As at 31 December 2023</b>				
<b>Financial assets at fair value through profit or loss</b>				
Due from banks	0	20,000	0	<b>20,000</b>
Debt securities	0	0	0	<b>0</b>
Shares, units and other investments	1,078,604	0	0	<b>1,078,604</b>
Other assets – positive fair values of financial derivatives	0	4,275	0	<b>4,275</b>
<b>Total</b>	<b>1,078,604</b>	<b>24,275</b>	<b>0</b>	<b>1,102,879</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Due to banks	0	6,000	0	<b>6,000</b>
Liabilities from derivatives	384	0	0	<b>384</b>
Other liabilities – short sales of equity securities	0	0	0	<b>0</b>
Other liabilities – negative fair values of financial derivatives	0	0	0	<b>0</b>
<b>Total</b>	<b>384</b>	<b>6,000</b>	<b>0</b>	<b>6,384</b>

In CZK thousands	Level 1	Level 2	Level 3	Total
<b>As at 31 December 2022</b>				
<b>Financial assets at fair value through profit or loss</b>				
Due from banks	0	25,589	0	<b>25,589</b>
Debt securities	0	0	0	<b>0</b>
Shares, units and other investments	781,553	0	0	<b>781,553</b>
Other assets – positive fair values of financial derivatives	0	4,333	0	<b>4,333</b>
<b>Total</b>	<b>781,553</b>	<b>29,922</b>	<b>0</b>	<b>811,475</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Due to banks	0	3,800	0	<b>3,800</b>
Liabilities from debt securities	808	0	0	<b>808</b>
Other liabilities – short sales of equity securities	0	0	0	<b>0</b>
Other liabilities – negative fair values of financial derivatives	0	0	0	<b>0</b>
<b>Total</b>	<b>808</b>	<b>3,800</b>	<b>0</b>	<b>4,608</b>

There were no transfers between levels 1, 2 and 3 in the fair value hierarchy during 2023 and 2022.

## **28 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)**

### *Other assets and liabilities, which are not remeasured to fair value*

Assets and liabilities, which are not remeasured to fair value through profit or loss, are current assets or current liabilities, accrued income and accrued expenses, deferral account and provisions.

The following table shows the fair value and its analysis by hierarchy level.

In CZK thousands	Carrying amount	Fair value	Level 1	Level 2	Level 3	Total
<b>As at 31 December 2023</b>						
<b>Assets</b>						
Other assets and receivables	2,127	2,127	0	0	2,127	<b>2,127</b>
<b>Liabilities</b>						
Provisions	0	0	0	0	0	<b>0</b>
Other liabilities and payables	1,623	1,623	0	0	1,623	<b>1,623</b>

In CZK thousands	Carrying amount	Fair value	Level 1	Level 2	Level 3	Total
<b>As at 31 December 2022</b>						
<b>Assets</b>						
Other assets and receivables	2,863	2,863	0	0	2,863	<b>2,863</b>
Prepaid expenses and accrued income	32	32			32	<b>32</b>
<b>Liabilities</b>						
Provisions	0	0	0	0	0	<b>0</b>
Other liabilities and payables	1,316	1,316	0	0	1,316	<b>1,316</b>

There were no transfers between levels 1, 2 and 3 in the fair value hierarchy during 2023 and 2022.

## **28 FINANCIAL INSTRUMENTS – MARKET RISK**

The Sub-Fund takes on exposure to market and credit risks as a consequence of its general investment strategy in line with its statutes. The Sub-Fund gathers money from holders of investor shares of the Sub-Fund and invests them into quality assets with the aim to generate stable capital appreciation of entrusted funds measured in CZK in a short-term and medium-term horizon.

The Company monitors and assesses the risks associated with investment instruments held in the Sub-Fund's assets, particularly based on the Value-at-Risk tool and stress testing and back testing of market risks, monitoring the development in credit rating of securities issuers, monitoring of interest rate sensitivity and remaining period to maturity of debt instruments.

One of the most important risks to which the Sub-Fund is exposed is the risk of default on legal and statutory limits of sub-funds. These limits also represent a tool to limit the risks to which the Sub-Fund is exposed. The Company regularly monitors compliance with the limits set forth in the Act on Investment Companies and Investment Funds, Government Decree No. 243/2013 Coll., on investment funds' investment activities and administration techniques, and in the Sub-Fund's

## **28 FINANCIAL INSTRUMENTS – MARKET RISK (CONTINUED)**

statutes. The Company calculates a standard deviation of the Sub-Fund's performance. The main monitored risks include a credit risk, currency risk, interest rate risk and liquidity risk.

### **(a) Credit Risk**

Credit risk is the risk that a counterparty will fail to discharge its obligations under a contract; a subset of credit risk is a settlement risk.

The Sub-Fund is mainly exposed to credit risk from repo operations and reverse repo operations, risk of counterparty default on transactions and other operations where an exposure to a counterparty arises (for example, term deposits, bonds, derivatives, trade receivables, etc.) The Company manages the Sub-Fund's credit risk particularly through minimizing the exposure to individual counterparties and issuers, by entering into certain transactions only with approved counterparties, approving the counterparties for certain transactions and selecting a depository, etc. The Risk Management department is responsible for controlling the limit compliance. The Sub-Fund only invests in financial assets (securities), for which either the ratings from external rating agencies exist or which underwent an internal credit rating process and have an internal credit rating. Where an external rating is available, it ranges from AAA to CC.

### **Geographical segmentation of assets**

#### **31 December 2023**

In CZK thousands	Czech Republic	European Union	Total
Due from banks	19,341	659	20,000
Shares, units and other investments	171,401	907,203	1,078,604
Other assets	6,402	0	6,402
<b>Total</b>	<b>197,144</b>	<b>907,862</b>	<b>1,105,006</b>

#### **31 December 2022**

In CZK thousands	Czech Republic	European Union	Total
Due from banks	24,946	643	25,589
Shares, units and other investments	142,192	639,361	781,553
Other assets	7,196	0	7,196
Prepaid expenses	32	0	32
<b>Total</b>	<b>174,366</b>	<b>640,004</b>	<b>814,370</b>

### **Breakdown of securities by issuer's sector**

Sector	31 December 2023	31 December 2022
Units issued by investment companies	1,078,604	781,553
<b>Total</b>	<b>1,078,604</b>	<b>781,553</b>

## 28 FINANCIAL INSTRUMENTS – MARKET RISK (CONTINUED)

### (a) Credit Risk (Continued)

#### Maximum exposure to credit risk on financial assets

	Balance sheet	Off-balance sheet	Total credit exposure	Collateral provided	Main type of collateral
<b>31 December 2023</b>					
Loans and amounts due from banks	20,000	0	20,000	0	0
Other assets – positive fair values of financial derivatives	4,275	0	4,275	4,275	Off-setting / Margin account
<b>31 December 2022</b>					
Loans and amounts due from banks	25,589	0	25,589	0	0
Other assets – positive fair values of financial derivatives	4,333	0	4,333	3,800	Off-setting/Margin account

### (b) Currency Risk

The Sub-Fund is exposed to currency risk due to changes in foreign exchange rates having an impact on asset value.

The Company manages market risk exposure of sub-funds using the following tools:

- stress testing and back testing of the sub-funds' market risks in compliance with valid legislation;
- system of limits;
- system of investment limits of sub-funds and procedures to limit the risks set out in the statutes of individual funds, generally binding regulations and regulatory requirements.

The following table shows the Sub-Fund's currency position by currency.

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**28 FINANCIAL INSTRUMENTS – MARKET RISK (CONTINUED)**

**(b) Currency Risk (Continued)**

**31 December 2023**

In CZK thousands	CZK	EUR	USD	JPY	Other	Total
Due from banks	9,053	5,227	25	78	5,617	20,000
Term deposits		0				0
Shares, units and other investments	171,401	332,569	525,150	49,484	0	1,078,604
Other assets	6,402	0	0	0	0	6,402
<b>Total assets</b>	<b>186,856</b>	<b>337,796</b>	<b>525,175</b>	<b>49,562</b>	<b>5617</b>	<b>1,105,006</b>
Due to banks	6,000	0	0	0	0	6,000
Other liabilities	2,007	0	0	0	0	2,007
Provisions	0	0	0	0	0	0
Net assets attributable to holders of investor shares	0	948,330	0	0	148,669	1,096,999
<b>Total liabilities</b>	<b>8,007</b>	<b>948,330</b>	<b>0</b>	<b>0</b>	<b>148,669</b>	<b>1,105,006</b>
Off-balance sheet assets	1,854	386,330	0	0	142,637	530,821
Off-balance sheet liabilities	(2,037)	142,637	386,330	0	0	526,930
<b>Net foreign exchange position</b>	<b>182,740</b>	<b>(366,841)</b>	<b>138,845</b>	<b>49,562</b>	<b>(415)</b>	<b>3,891</b>

## 28 FINANCIAL INSTRUMENTS – MARKET RISK (CONTINUED)

### (b) Currency Risk (Continued)

#### 31 December 2022

In CZK thousands	CZK	EUR	USD	JPY	Other	Total
Due from banks	4,994	7,488	6,829	661	797	20,769
Term deposits		4,820				4,820
Shares, units and other investments	142,192	238,611	362,385	38,365	0	781,553
Other assets	7,196	0	0	0	0	7,196
Prepaid expenses and accrued income	32					32
<b>Total assets</b>	<b>154,414</b>	<b>250,919</b>	<b>369,214</b>	<b>39,026</b>	<b>797</b>	<b>814,370</b>
Due to banks	3,800	0	0	0	0	3,800
Other liabilities	2,124	0	0	0	0	2,124
Provisions	0	0	0	0	0	0
Net assets attributable to holders of investor shares	0	724,908	0	0	83,538	808,446
<b>Total liabilities</b>	<b>5,924</b>	<b>724,908</b>	<b>0</b>	<b>0</b>	<b>83,538</b>	<b>814,370</b>
Off-balance sheet assets	(3,533)	283,940	6,001	655	83,929	370,992
Off-balance sheet liabilities	(7,866)	84,244	289,626	655	0	366,659
<b>Net foreign exchange position</b>	<b>144,157</b>	<b>(274,293)</b>	<b>85,589</b>	<b>39,026</b>	<b>1188</b>	<b>4,333</b>

### (c) Interest Rate Risk

The Sub-Fund is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Company manages market risk exposure of sub-funds using the following tools:

- stress testing and back testing of the sub-funds' market risks in compliance with valid legislation;
- system of limits;
- system of investment limits of sub-funds and procedures to limit the risks set out in the statutes of individual sub-funds, generally binding regulations and regulatory requirements.

The table below summarizes the Sub-Fund's exposure to interest rate risk. The table includes the Sub-Fund's financial assets and liabilities at carrying amounts, categorized by the earlier of the settlement or maturity dates.

## 28 FINANCIAL INSTRUMENTS – MARKET RISK (CONTINUED)

### (c) Interest Rate Risk (Continued)

#### 31 December 2023

In CZK thousands	Up to 3 months	3-12 months	Non-interest bearing	Total
Due from banks	20,000	0	0	20,000
Shares, units and other investments	0	0	1,078,604	1,078,604
Other assets	0	0	6,402	6,402
<b>Total assets</b>	<b>20,000</b>	<b>0</b>	<b>1,085,006</b>	<b>1,105,006</b>
Due to banks	6,000	0	0	6,000
Other liabilities	0	0	2,007	2,007
Provisions	0	0	0	0
Net assets attributable to holders of investor shares	0	0	1,096,999	1,096,999
<b>Total liabilities</b>	<b>6,000</b>	<b>0</b>	<b>1,099,006</b>	<b>1,105,006</b>
<b>Gap</b>	<b>14,000</b>	<b>0</b>	<b>(14,000)</b>	<b>0</b>

#### 31 December 2022

In CZK thousands	Up to 3 months	3-12 months	Non-interest bearing	Total
Due from banks	25,589	0	0	25,589
Shares, units and other investments	0	0	781,553	781,553
Other assets	0	0	7,196	7,196
Prepaid expenses			32	32
<b>Total assets</b>	<b>25,589</b>	<b>0</b>	<b>788,781</b>	<b>814,370</b>
Due to banks	3,800	0	0	3,800
Other liabilities	0	0	2,124	2,124
Provisions	0	0	0	0
Net assets attributable to holders of investor shares	0	0	808,446	808,446
<b>Total liabilities</b>	<b>3,800</b>	<b>0</b>	<b>810,570</b>	<b>814,370</b>
<b>Gap</b>	<b>21,789</b>	<b>0</b>	<b>(21,789)</b>	<b>0</b>

## **28 FINANCIAL INSTRUMENTS – MARKET RISK (CONTINUED)**

### **(d) Liquidity Risk**

Liquidity risk comprises both the risk of inability to finance the Sub-Fund's assets by instruments with an appropriate maturity and the Sub-Fund's inability to dispose of/sell the assets for a reasonable price within a reasonable time frame. The Sub-Fund deals with daily calls on available cash due to mandatory repurchases of units of its unitholders.

The Company uses for the management of the sub-funds' liquidity risk the following tools:

- a) limits;
- b) records on significant short-term operating liabilities maturing within 30 days;
- c) stress testing and back testing of the sub-funds' liquidity in compliance with valid legislation;

The cash of unitholders is recognized in the Sub-Fund's equity; nevertheless the Sub-Fund's statutes allow for repurchase of units, thus representing the greatest risk of liquidity for the Sub-Fund. The resulting cash outflow cannot be reliably estimated, and therefore it is reported as 'Not specified' in the following table. The table below categorizes assets and liabilities of the Sub-Fund into relevant maturity bands on the basis of the remaining period as at the balance sheet date to the contractual maturity date.

### **31 December 2023**

In CZK thousands	Up to 3 months	3-12 months	Not specified	Total
Due from banks	20,000	0	0	20,000
Shares, units and other investments	0	0	1,078,604	1,078,604
Other assets	6,402	0	0	6,402
Expenses and income	0		0	0
<b>Total assets</b>	<b>26,402</b>	<b>0</b>	<b>1,078,604</b>	<b>1,105,006</b>
Due to banks	6,000	0	0	6,000
Other liabilities	2,007	0	0	2,007
Provisions	0	0	0	0
Net assets attributable to holders of investor shares	0	0	1,096,999	1,096,999
<b>Total liabilities</b>	<b>8,007</b>	<b>0</b>	<b>1,096,999</b>	<b>1,105,006</b>
<b>Gap</b>	<b>18,395</b>	<b>0</b>	<b>(18,395)</b>	<b>0</b>



## **28 FINANCIAL INSTRUMENTS – MARKET RISK (CONTINUED)**

### **(d) Liquidity Risk (Continued)**

**31 December 2022**

In CZK thousands	Up to 3 months	3-12 months	Not specified	Total
Due from banks	25,589	0	0	25,589
Shares, units and other investments	0	0	781,553	781,553
Other assets	7,196	0	0	7,196
Expenses and income	0		32	32
<b>Total assets</b>	<b>32,785</b>	<b>0</b>	<b>781,585</b>	<b>814,370</b>
Due to banks	3,800	0	0	3,800
Other liabilities	2,124	0	0	2,124
Provisions	0	0	0	0
Net assets attributable to holders of investor shares	0	0	808,446	808,446
<b>Total liabilities</b>	<b>5,924</b>	<b>0</b>	<b>808,446</b>	<b>814,370</b>
<b>Gap</b>				
	<b>26,861</b>	<b>0</b>	<b>(26,861)</b>	<b>0</b>

### **(e) Sensitivity Analysis**

The Company performs, at specified intervals, a sensitivity analysis of sub-funds, mainly in the form of stress testing. The Risk Management is responsible for setting the values of risk factors, both external and internal, of stress testing. A primary purpose of stress testing is to simulate even unlikely events with a negative effect on capital position and to document the resilience of the Sub-Fund against the changes in market and economic conditions. The values of risk parameters change on a yearly basis, subject to changes in markets and changes in expectations of regulators (the Czech National Bank).

Due to fact that the assets/liabilities of the Sub-Fund are measured at fair value through profit or loss, the sensitivity analysis documents both the change in the value of investment instruments and the impact on equity and revenues and expenses.

The following table shows the sensitivity of instrument value (i.e., also the value of equity, and revenues and expenses) to changes in the value of external factors of market risks.

## **28 FINANCIAL INSTRUMENTS – MARKET RISK (CONTINUED)**

### **(e) Sensitivity analysis (continued)**

In CZK thousands	31 December 2023		31 December 2022	
	Change in parameter	Impact on profit or loss (equity)	Change in parameter	Impact on profit or loss (equity)
<b>External factors of market risks</b>				
Change in equity market/ equity component of mixed funds	41.33%/ 16.55%	363,999	29.13%/ 14.18%	187,975
Interest rate and AUM decrease	0.87%/ 0.52%	209	0.51%	130
Appreciation/depreciation of fund currency	10.03%	3,678	25.13%	6,858
Change in real estate market prices	7.995%	0	5.96%	0
Change in macroeconomic situation with effect on value of receivables	30%	0	30%	0

## **29 SUBSEQUENT EVENTS**

No events occurred between the balance sheet date and the date of approval of the financial statements that might have a significant impact on the accompanying financial statements for the year ended 31 December 2023.

These financial statements have been approved by the Board of Directors of the Company.

*Date of preparation*

*Signature of statutory representative*

19 April 2024

Ing. Jan Vedral