



## **QT Fund Ltd**

(A Cayman Islands Exempted Company)

### **Financial Statements**

For the Period from February 6, 2017 (Commencement of Operations)

To December 31, 2017

### **Independent Auditors' Report**

A claim for exemption under Regulation 4.7 has been filed with the Commodity Futures Trading Commission for QT Fund Ltd

AFFIRMATION OF THE COMMODITY POOL OPERATOR

To the best of my knowledge and belief, the information contained in the attached financial statements for the period from February 6, 2017 (Commencement of Operations) to December 31, 2017, is accurate and complete.

A handwritten signature in black ink, appearing to read "KJ Lohsen". The signature is written in a cursive, flowing style.

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Kenneth J. Lohsen, Managing Director  
Credit Suisse Asset Management, LLC, Investment Manager for QT Fund Ltd

# QT Fund Ltd

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QT Fund Ltd  
Directors' Report for the Period from February 6, 2017 (Commencement of Operations) to  
December 31, 2017

The Directors present their annual report of the affairs of QT Fund Ltd (the "Fund") for the period from February 6, 2017 (Commencement of Operations) to December 31, 2017.

**Principal Activity**

The Fund is a Cayman Islands exempted company incorporated on September 14, 2016 to operate as an open-ended mutual fund with no fixed duration. The Fund's Class A Shares have been admitted to the official list of each of the Cayman Islands Stock Exchange and The International Stock Exchange. In addition, the Fund has offered shares through a public offering to retail and other investors in the Cayman Islands and the Bailiwick of Guernsey.

The Fund's investment objective is to deliver a consistent, low volatility, positive return stream with limited drawdowns by developing and running a variety of quantitative, systematic trading and investment strategies. The Fund invests globally.

**Financial Statements**

The results for the Fund are presented in these financial statements for the period from February 6, 2017 (Commencement of Operations) to December 31, 2017. The Fund did not pay a dividend during this period.

**Directors**

The directors of the Fund who held office during this period were as follows:

- George Bashforth
- Sophia A. Dilbert
- Damian Juric

**Audit Information**

The Fund's Directors at the time of approval of this Directors' Report, confirm that:

- as far as they are each aware, there is no relevant audit information of which the Fund's auditor is unaware; and
- each Director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Fund's auditor is aware of that information.

**Auditor**

The auditor is deemed to be re-appointed and KPMG will therefore continue as auditor to the Fund.

Approved by the Board of Directors on March 29, 2018 and signed on its behalf,



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Damian Juric, Director



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### **Independent Auditors' Report to the Board of Directors**

We have audited the accompanying financial statements of QT Fund Ltd (the "Fund"), which comprise the statement of financial position as of December 31, 2017, the related statements of comprehensive income, changes in net assets attributable to the holders of redeemable participating shares and cash flows for the period from February 6, 2017 (date of commencement of operations) to December 31, 2017, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2017, and the results of its operations and its cash flows for the period from February 6, 2017 (date of commencement of operations) to December 31, 2017 in accordance with International Financial Reporting Standards.



**Independent Auditors' Report to the Board of Directors (continued)**

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The condensed schedule of investments and US GAAP additional information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG

March 29, 2018

# QT Fund Ltd

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

	Note	Total 2017
<b>Assets</b>		
Financial assets at fair value through profit or loss (cost: \$223,813,503)	5	243,971,042
Due from brokers	3.3	500,866,733
Dividend receivable		103,946
Other assets		1,451,145
<b>Total assets</b>		<b>746,392,866</b>
<b>Liabilities</b>		
Financial liabilities at fair value through profit or loss (proceeds \$30,775,620)	5	60,352,422
Due to brokers	3.3	62,264,114
Dividends payable		17,443
Management fee payable	4	1,085,830
Incentive fee payable	4	4,751,214
Equalization credit payable		34,037
Accrued expenses	11	6,072,153
<b>Total liabilities (excluding net assets attributable to holders of redeemable participating shares)</b>		<b>134,577,213</b>
<b>Net assets attributable to holders of redeemable participating shares</b>		<b>611,815,653</b>

	Note	Shares outstanding	Net Asset Value per redeemable participating share
US Dollar share Class A1 - Unrestricted	8	1,687,024	\$101.6006
US Dollar share Class A2 - Restricted	8	3,865,366	\$101.6006
<b>US Dollar share Class A – Total</b>	<b>8</b>	<b>5,552,390</b>	<b>\$101.6006</b>
US Dollar share Class B2 - Restricted	8	463,556	\$102.8780
<b>US Dollar share Class B – Total</b>	<b>8</b>	<b>463,556</b>	<b>\$102.8780</b>

# QT Fund Ltd

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD FROM FEBRUARY 6, 2017 (COMMENCEMENT OF OPERATIONS)  
TO DECEMBER 31, 2017  
(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)**

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	<b>Note</b>	<b>2017</b>
<b>Revenue</b>		
Gross realized gain on financial assets and liabilities at fair value through profit or loss	6	543,861,348
Gross realized loss on financial assets and liabilities at fair value through profit or loss	6	(497,670,314)
Gross change in unrealized gain on financial assets and liabilities at fair value through profit or loss	6	20,395,627
Gross change in unrealized loss on financial assets and liabilities at fair value through profit or loss	6	(29,814,890)
Net foreign exchange loss	6	(2,740,839)
Interest income	7	4,485,584
Dividend income	7	1,468,023
<b>Total revenue</b>		<b>39,984,539</b>
<b>Operating expenses</b>		
Incentive fees	4	4,767,147
Management fees	4	3,846,610
Commission fees		2,634,166
Dividend expense	7	1,411,938
Administration fees	4	811,352
Professional fees		139,322
Stock loan fees		76,809
Directors' fees		46,225
Equalization credit	8	34,037
Other expenses	12	15,436,913
<b>Total operating expenses</b>		<b>29,204,519</b>
<b>Total operating profit before finance costs</b>		<b>10,780,020</b>
Interest expense	7	321,554
<b>Total operating profit after finance costs</b>		<b>10,458,466</b>
<b>Increase in net assets attributable to holders of redeemable participating shares before tax</b>		<b>10,458,466</b>
Withholding tax expense		228,601
<b>Increase in net assets attributable to holders of redeemable participating shares</b>		<b>10,229,865</b>

## QT Fund Ltd

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE HOLDERS OF REDEEMABLE PARTICIPATING SHARES  
FOR THE PERIOD FROM FEBRUARY 6, 2017 (COMMENCEMENT OF OPERATIONS)  
TO DECEMBER 31, 2017  
(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)**

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	<u>2017</u>
<b>Net assets attributable to holders of redeemable participating shares at the beginning of the period</b>	-
Proceeds from issue of redeemable participating shares	612,473,290
Payments for redemption of redeemable participating shares	(10,887,502)
Increase in net assets attributable to holders of redeemable participating shares	<u>10,229,865</u>
<b>Net assets attributable to holders of redeemable participating shares at the end of the period</b>	<u><b>611,815,653</b></u>

# QT Fund Ltd

## STATEMENT OF CASH FLOWS FOR THE PERIOD FROM FEBRUARY 6, 2017 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2017 (ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

	<u>2017</u>
<b>Operating activities</b>	
Increase in net assets attributable to holders of redeemable participating shares	10,229,865
<b>Adjustments to reconcile decrease in net assets to net cash (used in)/provided by operating activities:</b>	
Net realized gain on sale of securities	(7,728,026)
Net unrealized gain on securities	(606,222)
Net unrealized loss on derivatives	10,025,485
Purchases of securities	(3,173,040,175)
Proceeds from sale of securities	2,958,565,224
Purchase to cover securities sold short	(985,072,860)
Proceeds from sale of securities sold short	1,014,237,954
Increase in due from brokers	(500,866,733)
Increase in dividend receivable	(103,946)
Increase in other assets	(1,451,145)
Increase in due to brokers	62,264,114
Increase in dividend payable	17,443
Increase in management fee payable	1,085,830
Increase in incentive fee payable	4,751,214
Increase in equalization credit payable	34,037
Increase in accrued expenses	6,072,153
<b>Cash flows (used in) operating activities</b>	<u><b>(601,585,788)</b></u>
<b>Financing activities</b>	
Proceeds from issue of redeemable participating shares	612,473,290
Payments for redemption of shares	(10,887,502)
<b>Cash flows provided by financing activities</b>	<u><b>601,585,788</b></u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	-
Cash and cash equivalents at the beginning of the period	-
<b>Cash and cash equivalents at the end of the period</b>	<u><b>-</b></u>

# QT Fund Ltd

**STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE PERIOD FROM FEBRUARY 6, 2017 (COMMENCEMENT OF OPERATIONS)  
TO DECEMBER 31, 2017  
(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)**

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<b>Cash flows from operating activities include:</b>	<b>2017</b>
Interest received	4,485,584
Dividends received	1,364,077
Dividends paid	1,394,495
Interest paid	321,554
Taxes paid	123,892

# QT Fund Ltd

## CONDENSED SCHEDULE OF INVESTMENTS

AS AT DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

Financial assets at fair value through profit or loss	Fair Value	% of Net Assets
<b>Investments in Securities</b>		
<b>Equities - Common Stock</b>		
<i>Europe</i>		
Communications	127,506	0.02%
Consumer Cyclical	2,809,875	0.47%
Consumer Non-cyclical	1,565,457	0.26%
Diversified	3,528	0.00%
Energy	787,029	0.13%
Financial	3,393,710	0.55%
Industrial	2,519,445	0.41%
Other Sector	203,855	0.03%
Technology	273	0.00%
Utilities	2,642,717	0.43%
	<b>14,053,395</b>	<b>2.30%</b>
<i>North America</i>		
Basic Materials	6,609,952	1.08%
Communications	1,074,259	0.18%
Consumer Cyclical	4,311,795	0.70%
Consumer Non-cyclical	1,932,512	0.32%
Diversified	15,375	0.00%
Energy	4,310,452	0.70%
Financial	10,884,349	1.78%
Industrial	5,545,359	0.91%
Other Sector	5,432,935	0.89%
Technology	505,681	0.08%
Utilities	364,492	0.06%
	<b>40,987,161</b>	<b>6.70%</b>
<b>Total Equities - Common Stock (cost \$54,018,303)</b>	<b>55,040,556</b>	<b>9.00%</b>

## QT Fund Ltd

**CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)**  
**AS AT DECEMBER 31, 2017**  
**(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)**

Financial assets at fair value through profit or loss (continued)	Quantity of Shares	Fair Value	% of Net Assets
<b>Investments in Securities (continued)</b>			
<b>Mutual Fund</b>			
<i>North America</i>			
Morgan Stanley Institutional Liquidity Funds	169,795,200	169,795,200	27.75%
<b>Total Investments in Mutual Fund (cost \$169,795,200)</b>		<b>169,795,200</b>	<b>27.75%</b>
<b>Total Investments in Securities (cost \$223,813,503)</b>		<b>224,835,756</b>	<b>36.75%</b>
 <b>Investments in Derivative Contracts</b>			
<b>Futures Contracts</b>			
Bond		2,853	0.00%
Equity Index		1,380,906	0.23%
<b>Total Futures Contracts</b>		<b>1,383,759</b>	<b>0.23%</b>
 <b>Equity Swaps Contracts</b>			
<i>Africa</i>			
Basic Materials		53,143	0.01%
Communications		25,671	0.00%
Consumer Cyclical		51,764	0.01%
Consumer Non-cyclical		33,484	0.01%
Diversified		24,875	0.00%
Financial		1,637	0.00%
Industrial		9,237	0.00%
Other Sector		131	0.00%
		<b>199,942</b>	<b>0.03%</b>

## QT Fund Ltd

**CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)**  
**AS AT DECEMBER 31, 2017**  
**(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)**

<b>Financial assets at fair value through profit or loss (continued)</b>	<b>Fair Value</b>	<b>% of Net Assets</b>
<b>Equity Swaps Contracts (continued)</b>		
<i>Asia</i>		
Basic Materials	238,800	0.04%
Communications	281,351	0.05%
Consumer Cyclical	386,753	0.06%
Consumer Non-cyclical	618,073	0.10%
Diversified	46,620	0.01%
Energy	107,296	0.02%
Financial	373,038	0.06%
Funds	685	0.00%
Industrial	483,729	0.08%
Internet	268	0.00%
Other Sector	91,951	0.02%
Technology	601,693	0.10%
Utilities	38,683	0.01%
	<b>3,268,940</b>	<b>0.55%</b>
<i>Australia</i>		
Basic Materials	82,232	0.01%
Communications	12,664	0.00%
Consumer Cyclical	13,333	0.00%
Consumer Non-cyclical	56,220	0.01%
Diversified	9,145	0.00%
Energy	16,709	0.00%
Financial	20,938	0.00%
Industrial	153,811	0.04%
Other Sector	19,032	0.00%
Technology	10,245	0.00%
Utilities	3,304	0.00%
	<b>397,633</b>	<b>0.06%</b>

## QT Fund Ltd

**CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)**  
**AS AT DECEMBER 31, 2017**  
**(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)**

<b>Financial assets at fair value through profit or loss (continued)</b>	<b>Fair Value</b>	<b>% of Net Assets</b>
<b>Equity Swaps Contracts (continued)</b>		
<i>Europe</i>		
Basic Materials	262,755	0.04%
Communications	225,658	0.04%
Consumer Cyclical	494,018	0.08%
Consumer Non-cyclical	877,193	0.14%
Diversified	16,939	0.00%
Energy	128,545	0.02%
Financial	234,983	0.04%
Industrial	401,851	0.07%
Other Sector	65,597	0.01%
Technology	247,880	0.04%
Utilities	60,534	0.01%
	<b>3,015,953</b>	<b>0.49%</b>
<i>North America</i>		
Basic Materials	446,310	0.07%
Communications	1,652,542	0.27%
Consumer Cyclical	1,355,033	0.22%
Consumer Non-cyclical	2,046,433	0.33%
Diversified	8,366	0.00%
Energy	718,279	0.12%
Financial	1,712,606	0.28%
Funds	3,912	0.00%
Growth & Income-Large Cap	31	0.00%
Industrial	951,515	0.16%
Other Sector	296,138	0.05%
Technology	1,282,966	0.21%
Utilities	256,553	0.04%
	<b>10,730,684</b>	<b>1.75%</b>

## QT Fund Ltd

CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)  
AS AT DECEMBER 31, 2017  
(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

	Fair Value	% of Net Assets
<b>Financial assets at fair value through profit or loss (continued)</b>		
<b>Equity Swaps Contracts (continued)</b>		
<i>South America</i>		
Basic Materials	13,617	0.00%
Communications	2,332	0.00%
Consumer Cyclical	20,006	0.00%
Consumer Non-cyclical	660	0.00%
Diversified	98	0.00%
Energy	28,205	0.00%
Financial	32,255	0.01%
Other Sector	10,036	0.00%
Utilities	31,166	0.01%
	<b>138,375</b>	<b>0.02%</b>
<b>Total Equity Swaps Contracts</b>	<b>17,751,527</b>	<b>2.90%</b>
<b>Total Investments in Derivative Contracts</b>	<b>19,135,286</b>	<b>3.13%</b>
<b>Financial assets at fair value through profit or loss (cost \$223,813,503)</b>	<b>243,971,042</b>	<b>39.88%</b>

## QT Fund Ltd

**CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)**  
**AS AT DECEMBER 31, 2017**  
**(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)**

<b>Financial liabilities at fair value through profit or loss</b>	<b>Fair Value</b>	<b>% of Net Assets</b>
<b>Securities Sold Short</b>		
<b>Equities - Common Stock</b>		
<i>Europe</i>		
Communications	(1,423,293)	(0.23%)
Consumer Cyclical	(2,000,020)	(0.33%)
Consumer Non-cyclical	(993,036)	(0.16%)
Energy	(309,420)	(0.05%)
Financial	(3,804,917)	(0.62%)
Industrial	(2,427,911)	(0.40%)
Technology	(144,808)	(0.02%)
Utilities	(158,925)	(0.03%)
	<b>(11,262,330)</b>	<b>(1.84%)</b>
<i>North America</i>		
Basic Materials	(2,087,290)	(0.34%)
Communications	(2,364,743)	(0.39%)
Consumer Cyclical	(185,944)	(0.03%)
Consumer Non-cyclical	(1,714,662)	(0.28%)
Energy	(2,260,675)	(0.37%)
Financial	(7,525,288)	(1.23%)
Industrial	(56,010)	(0.01%)
Other Sector	(643,513)	(0.11%)
Technology	(1,247,931)	(0.20%)
Utilities	(1,843,265)	(0.30%)
	<b>(19,929,321)</b>	<b>(3.26%)</b>
<b>Total Equities - Common Stock (proceeds \$30,775,620)</b>	<b>(31,191,651)</b>	<b>(5.10%)</b>

## QT Fund Ltd

CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)  
AS AT DECEMBER 31, 2017  
(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

Financial liabilities at fair value through profit or loss (continued)	Fair Value	% of Net Assets
<b>Investments in Derivative Contracts</b>		
<b>Forward Currency Contracts</b>		
CNH	(43,252)	(0.01%)
INR	(75,821)	(0.01%)
KRW	(351,452)	(0.06%)
THB	(52,631)	(0.01%)
TWD	(73,324)	(0.01%)
<b>Total Forward Currency Contracts</b>	<b>(596,480)</b>	<b>(0.10%)</b>
<b>Futures Contracts</b>		
Bond	(1,205)	0.00%
Equity Index	(1,218,198)	(0.20%)
<b>Total Futures Contracts</b>	<b>(1,219,403)</b>	<b>(0.20%)</b>
<b>Equity Swaps Contracts</b>		
<i>Africa</i>		
Basic Materials	(104,418)	(0.02%)
Communications	(5,515)	0.00%
Consumer Cyclical	(162,205)	(0.03%)
Consumer Non-cyclical	(42,491)	(0.01%)
Diversified	(12,385)	0.00%
Energy	(9,539)	0.00%
Financial	(57,263)	(0.01%)
Industrial	(4,195)	0.00%
Other Sector	(47,015)	(0.01%)
Technology	(16,956)	0.00%
	<b>(461,982)</b>	<b>(0.08%)</b>

# QT Fund Ltd

**CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)**  
**AS AT DECEMBER 31, 2017**  
**(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)**

<b>Financial liabilities at fair value through profit or loss (continued)</b>	<b>Fair Value</b>	<b>% of Net Assets</b>
<b>Equity Swaps Contracts (continued)</b>		
<i>Asia</i>		
Basic Materials	(178,993)	(0.03%)
Communications	(471,233)	(0.08%)
Consumer Cyclical	(274,957)	(0.05%)
Consumer Non-cyclical	(998,503)	(0.16%)
Diversified	(22,002)	0.00%
Energy	(56,236)	(0.01%)
Financial	(403,664)	(0.06%)
Industrial	(477,243)	(0.08%)
Internet	(261)	0.00%
Other Sector	(37,131)	(0.01%)
Technology	(376,758)	(0.06%)
Utilities	(15,980)	0.00%
	<b>(3,312,961)</b>	<b>(0.54%)</b>
<i>Australia</i>		
Basic Materials	(84,203)	(0.01%)
Communications	(12,704)	0.00%
Consumer Cyclical	(62,315)	(0.01%)
Consumer Non-cyclical	(51,490)	(0.01%)
Energy	(7,303)	0.00%
Financial	(22,847)	(0.01%)
Industrial	(75,167)	(0.01%)
Other Sector	(4,582)	0.00%
Technology	(16,196)	0.00%
Utilities	(5,415)	0.00%
	<b>(342,222)</b>	<b>(0.04%)</b>

# QT Fund Ltd

**CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)  
AS AT DECEMBER 31, 2017  
(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)**

<b>Financial liabilities at fair value through profit or loss (continued)</b>	<b>Fair Value</b>	<b>% of Net Assets</b>
<b>Equity Swaps Contracts (continued)</b>		
<i>Europe</i>		
Basic Materials	(300,410)	(0.05%)
Communications	(281,243)	(0.05%)
Consumer Cyclical	(499,776)	(0.08%)
Consumer Non-cyclical	(943,895)	(0.15%)
Diversified	(17,464)	0.00%
Energy	(170,711)	(0.03%)
Financial	(480,772)	(0.08%)
Industrial	(466,307)	(0.08%)
Other Sector	(94,590)	(0.02%)
Technology	(175,239)	(0.03%)
Utilities	(103,622)	(0.02%)
	<b>(3,534,029)</b>	<b>(0.59%)</b>
<i>North America</i>		
Auto Manufacturers	(61,627)	(0.01%)
Basic Materials	(966,672)	(0.16%)
Communications	(2,052,871)	(0.34%)
Consumer Cyclical	(3,454,230)	(0.56%)
Consumer Non-cyclical	(3,860,742)	(0.63%)
Diversified	(71,271)	(0.01%)
Energy	(1,026,483)	(0.17%)
Financial	(3,590,081)	(0.59%)
Funds	(5,833)	0.00%
Growth & Income-Large Cap	(7,816)	0.00%
Industrial	(1,922,825)	(0.31%)
Other Sector	(472,640)	(0.08%)
Technology	(1,651,503)	(0.27%)
Utilities	(279,643)	(0.05%)
	<b>(19,424,237)</b>	<b>(3.18%)</b>

## QT Fund Ltd

**CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)**  
**AS AT DECEMBER 31, 2017**  
**(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)**

<b>Financial liabilities at fair value through profit or loss (continued)</b>	<b>Fair Value</b>	<b>% of Net Assets</b>
<b>Equity Swaps Contracts (continued)</b>		
<i>South America</i>		
Basic Materials	(24,278)	0.00%
Communications	(1,861)	0.00%
Consumer Cyclical	(7,800)	0.00%
Consumer Non-cyclical	(37,931)	(0.01%)
Financial	(916)	0.00%
Industrial	(4,653)	0.00%
Other Sector	(130,268)	(0.02%)
Technology	-	0.00%
Utilities	(61,750)	(0.01%)
	<b>(269,457)</b>	<b>(0.04%)</b>
<b>Total Equity Swaps Contracts</b>	<b>(27,344,888)</b>	<b>(4.47%)</b>
<b>Total Investments in Derivative Contracts</b>	<b>(29,160,771)</b>	<b>(4.77%)</b>
<b>Financial liabilities at fair value through profit or loss (proceeds \$30,775,620)</b>	<b>(60,352,422)</b>	<b>(9.87%)</b>

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 1. General information

QT Fund Ltd (the “Fund”), a Cayman Islands exempted company, was incorporated in the Cayman Islands on September 14, 2016 and commenced operations on February 6, 2017. The Fund registered under the Mutual Funds Law of the Cayman Islands on January 13, 2017. The Fund is also a registered open-ended collective investment scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Registered Collective Investment Schemes Rules 2015 issued by the Guernsey Financial Services Commission. The Class A Shares have been admitted to the official list of each of the Cayman Islands Stock Exchange and The International Stock Exchange.

Credit Suisse Asset Management, LLC (the “Investment Manager”), a Delaware limited liability company, and serves as the Investment Manager to the Fund pursuant to the investment management agreement (the “IMA”). For the period from February 6, 2017 to September 29, 2017, the Investment Manager appointed Credit Suisse (Hong Kong) Limited, a limited company incorporated under the laws of Hong Kong SAR, and Credit Suisse Quantitative and Systematic Asset Management Ltd. (“QSAM”), a limited company incorporated under the laws of England and Wales as its sub-investment managers pursuant to sub-investment management agreements. Effective September 29, 2017, QSAM has ceased as the sub-investment manager of the Fund. Credit Suisse (Hong Kong) Limited is the sole sub-investment manager of the Fund effective September 29, 2017. The Investment Manager is a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended. Each of the Investment Manager and Credit Suisse (Hong Kong) Limited are affiliates of Credit Suisse Group AG (“CSG”). QSAM was an affiliate of CSG for the period from February 6, 2017 to September 29, 2017.

The Investment Manager is registered as a commodity pool operator with the U.S. Commodity Futures Trading Commission and is a member of the National Futures Association in such capacity under the Commodity Exchange Act.

The Fund’s investment objective is to deliver a consistent, low volatility, positive return stream with limited drawdowns by developing and running a variety of quantitative, systematic trading and investment strategies.

The Investment Manager may cause the assets of the Fund to be invested, directly or indirectly, on margin or otherwise, in interests commonly referred to as securities, other financial instruments and other assets, including, without limitation, capital stock; shares of beneficial interest; partnership interests and similar financial instruments; bonds, notes and debentures (whether subordinated, convertible or otherwise); currencies; commodities; physical and intangible assets; interest rate, currency, commodity, equity, indices and other derivative products; exchange traded funds and similar financial instruments and money market funds.

The board of directors (the “Board”) has overall responsibility to manage the Fund; provided, however, that pursuant to the terms of the IMA between the Fund and the Investment Manager, the Board has delegated the Investment Manager certain aspects of the management, operation, control of the investment and trading activities and calculation of the net asset value (“NAV”) on behalf of the Fund. The Board is not responsible for the day-to-day conduct of the Fund’s trading activities.

SS&C Guernsey Limited (the “Administrator”) serves as the administrator of the Fund and performs certain day-to-day administrative services on the Fund’s behalf.

### 2. Basis of accounting

During the period, the Fund adopted Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (2012) (the amendments). Management has concluded that the Fund meets the definition of an investment entity.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 2. Basis of accounting (continued)

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied during the period presented, unless otherwise stated.

Capitalized terms used and not defined in these financial statements have the meanings set forth in the prospectus as the context requires.

#### 2.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB").

#### 2.2 Use of judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may defer from these amounts. It also requires the Board and the Investment Manager to exercise its judgment in the process of applying the Fund's accounting policies.

Information about judgements made in applying accounting policies that have the most significant effects of the amounts recognized in the financial statements include the determination of the functional currency.

#### 2.3 Standards issued but not yet effective

##### (a) New and amended standards adopted by the Fund

The Fund has adopted all applicable standards for the first time relevant for the financial period beginning on February 6, 2017.

##### (b) New standards and interpretations not adopted

IFRS 9, Financial Instruments, published in July 2014, will replace the existing guidance in IAS 39. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Based on the initial assessment, this standard is not expected to have a material impact on the Fund.

Other standards and amendments which are available for early adoption do not impact the Fund and have not been adopted early.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2017 (ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 3. Significant accounting policies

#### 3.1 Financial assets and financial liabilities at fair value through profit or loss

##### (a) Classification

The Fund classifies financial assets and financial liabilities into the following categories.

Financial assets at fair value through profit or loss:

- *Held for trading*: derivative financial instruments.
- *Designated at fair value through profit or loss*: equity securities.

Financial assets at amortized cost:

- *Loans and receivables*: due from brokers and dividend receivable.

Financial liabilities at fair value through profit or loss:

- *Held for trading*: derivative financial instruments.
- *Designated at fair value through profit or loss*: equity securities.

Financial liabilities at amortized cost:

- *Other liabilities*: due to brokers, incentive fee payable, equalization credit payable, management fee payable, dividend payable and accrued expenses.

##### (i) Financial assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

##### (ii) Financial assets and liabilities designated at fair value through profit or loss at inception

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy.

The Fund's policy requires the Investment Manager and the Board to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 3. Significant accounting policies (continued)

#### 3.1 Financial assets and financial liabilities at fair value through profit or loss (continued)

The Fund classifies its investments in equity securities, as financial assets or financial liabilities at fair value through profit or loss.

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss.

To enter a short sale, the Fund may need to borrow the security for delivery to the buyer. On each day, obligations to deliver securities borrowed by the Fund to fulfil its short sale contracts are marked-to-market and an unrealized gain or loss is recorded in gains and losses on financial assets at fair value through profit or loss in the statement of comprehensive income. While the transaction is open, the Fund will also incur an expense for any dividends or interest that will be paid to the lender of the securities. The Fund's obligation for investments sold short is considered closed and the related liability is derecognized when it delivers or replaces the security borrowed under the original transaction.

#### (b) Recognition, de-recognition and measurement

Regular purchases and sales of investments are recognized on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for de-recognition in accordance with International Accounting Standard (“IAS”) 39, *Financial Instruments: Recognition and Measurement*. The Fund uses the first in first out (“FIFO”) method to determine realized gain or loss on de-recognition. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the ‘Financial assets or financial liabilities at fair value through profit or loss’ category are presented in the statement of comprehensive income within Net change in unrealized gain or loss on financial assets and liabilities at fair value through profit or loss in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognized in the statement of comprehensive income when the Fund's right to receive payments is established. Dividend expense on short sales of equity securities is recognized in the statement of comprehensive income when the Fund's right to receive payment is established.

Gains and losses on the disposal of financial assets and liabilities are computed on a FIFO basis and are included in the statement of comprehensive income in the period in which they arise within gross realized gain or loss on financial assets and liabilities at fair value through profit or loss.

#### (c) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 3. Significant accounting policies (continued)

#### 3.1 Financial assets and financial liabilities at fair value through profit or loss (continued)

If a significant movement in fair value occurs subsequent to the close of trading up to midnight on the year end date, valuation techniques are applied to determine the fair value. A significant event is any event that occurs after the last market price for a security, close of market or close of the foreign exchange, but before the Fund's valuation time that materially affects the integrity of the closing prices for any security, instrument, currency or securities affected by that event so that they cannot be considered 'readily available' market quotations.

##### *Equities*

Financial assets and financial liabilities traded on a securities exchange are valued at the closing or settlement price on the principal exchange on which they are traded. If the closing price is not available, the mid of the last quoted bid and ask is taken. In the absence of a mid-price, the latest trade price is used. If the securities are delisted, financial assets are valued at \$0.01 and financial liabilities are valued at the last observable price.

##### *Futures and Options*

Derivative contracts traded on a derivatives exchange are valued at settlement price. In the absence of a settlement price, the mid of the last quoted bid and ask is taken. In the absence of a mid-price, bid or ask is taken. If the security has not traded on a given day, the previous available settlement price is used or, if not available, the latest trade price is used.

##### *Forward Foreign Currency Contracts*

The forward foreign currency contracts pricing model derives the differential in point rates to the expiration date of the forward contracts and calculates its present value

##### *Equity Swap Contracts*

Market inputs to equity swap contracts, such as market prices for equity swaps, are based on the relevant market close price on the relevant exchange. If the required inputs are not available from external pricing sources, they will be obtained either from the counterparty or market maker quotes. If the underlying securities are delisted, financial assets are valued at \$0.01 and financial liabilities are valued at the last observable price.

#### (d) Amortized cost measurement

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

#### (e) Identification and measurement of impairment

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 3. Significant accounting policies (continued)

#### 3.1 Financial assets and financial liabilities at fair value through profit or loss (continued)

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in the statement of comprehensive income when incurred. Interest on impaired assets continues to be recognized. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income. There are no impairments for the period ended December 31, 2017.

#### (f) Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

#### 3.2 Offsetting financial instruments

Financial assets and liabilities are eligible for offset and the net amount reported in the statement of financial position when, and only when, there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Fund holds financial assets and liabilities that are eligible for offset in the statement of financial position and are subject to a master netting agreement. However, the Fund has elected not to offset assets and liabilities in the statement of financial position. Income and expenses are presented on a gross basis for gains and losses from financial instruments at fair value through profit and loss.

#### 3.3 Due from and due to brokers

Amounts due from and to brokers represent margin and collateral accounts, deposit amounts held with brokers, receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

Due to/from brokers consists of the following:

	<u>December 31, 2017</u>
Due from brokers - unsettled trades	39,762,830
Cash collateral pledged	247,463,202
Margin receivables	35,602,925
Cash held at brokers	178,037,776
<b>Total due from brokers</b>	<b><u>500,866,733</u></b>
Due to brokers - unsettled trades	(29,995,801)
Margin payables	(32,268,313)
<b>Total due to broker</b>	<b><u>(62,264,114)</u></b>

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 3. Significant accounting policies (continued)

#### 3.4 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less. As at December 31, 2017 the Fund held no cash and cash equivalents.

#### 3.5 Operating expenses

The Fund is responsible for all normal operating expenses including dividend expense, commission fees, management fees, incentive fees, equalization credit, administration fees, professional fees, stock loan fees, directors' fees and other expenses. Operating expenses are recorded on the accrual basis.

#### 3.6 Share capital

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

A puttable financial instrument that includes a contractual obligation for the Fund to repurchase or redeem that instrument for cash or another financial asset is classified as equity, if it meets all of the following conditions:

- it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

The Fund's redeemable shares do not meet these conditions and are classified as financial liabilities measured at the present value of the redemption amounts.

#### 3.7 Subscriptions received in advance

Subscriptions received in advance represent amounts received from investors prior to December 31, 2017 for subscription into the Fund at the next subscription date. As at December 31, 2017, there were no subscriptions received in advance.

#### 3.8 Allocation of income and expenses

Income and expenses are allocated pro-rata to each individual investor based on their investment in the Fund.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2017 (ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 3. Significant accounting policies (continued)

#### 3.9 Foreign currency

##### (a) Functional and presentation currency

The financial statements are presented in U.S. dollars, which is the Fund's functional and presentation currency.

##### (b) Transactions and balances

Foreign currency transactions are translated into United States dollars using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income. Foreign exchange gains and losses relating to cash and cash equivalents and other assets and liabilities are presented in the statement of comprehensive income within gross realized/change in unrealized gain or loss on financial assets and liabilities at fair value through profit or loss.

The Fund does not isolate that portion of the results of operations arising from the effect of changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of investments held. Those fluctuations are included with gross realized gain (loss) and gross change in unrealized gain (loss) on financial assets and liabilities at fair value through profit or loss.

#### 3.10 Interest

Interest income and expense are recognized using the effective interest method.

Interest received or receivable, and interest paid or payable, are recognized in the statement of comprehensive income as interest income and interest expense, respectively.

#### 3.11 Dividend income and dividend expense

Dividend income is recognized in profit or loss on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at fair value through profit or loss is recognized in the statement of comprehensive income in a separate line item.

The Fund incurs expenses on short positions in equity securities equal to the dividends due on these securities. Such dividend expense is recognized in the statement of comprehensive income as operating expense when the shareholders' right to receive payment is established.

#### 3.12 Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognized in the statement of comprehensive income as an expense.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 3. Significant accounting policies (continued)

#### 3.13 Taxation

The Fund is a Cayman Islands exempted company. Under the current laws of the Cayman Islands, there are no income, estate, transfer sale or other taxes payable by the Fund. The Fund has received an undertaking from the Governor-in-Cabinet of the Cayman Islands exempting it from all taxes until January 10, 2037. Each shareholder is individually liable for income taxes, if any, in its own tax jurisdiction on its share of the Fund's taxable income (loss). The Investment Manager evaluates tax positions taken or expected to be taken in the course of preparing the Fund's financial statements to determine whether the tax positions are "more-likely-than not" of being sustained by the applicable tax authority.

Tax positions with respect to tax at the Fund level not deemed to meet the "more-likely-than-not" threshold would be recorded as an expense in the current period.

In accordance with IAS 12 - *Income Taxes*, the Fund is required to recognize a tax liability when it is probable that the tax laws of foreign countries require a tax liability to be assessed on the Fund's capital gains or other portfolio income sourced from such foreign country, assuming the relevant taxing authorities have full knowledge of all the facts and circumstances. The tax liability is then measured at the amount expected to be paid to the relevant taxation authorities using the tax laws and rates that have been enacted or substantively enacted by the end of the reporting period. There is sometimes uncertainty about the way enacted tax law is applied to offshore investment funds. This creates uncertainty about whether or not a tax liability will ultimately be paid by the Fund. Therefore, when measuring any uncertain tax liabilities, the Investment Manager considers all of the relevant facts and circumstances available at the time, which could influence the likelihood of payment including any formal or informal practices of the relevant tax authorities.

The Investment Manager has concluded that there was no impact on the results of operations of the Fund for the period from February 6, 2017 (commencement of operations) to December 31, 2017. The Investment Manager's assessments regarding tax positions are subject to review and may be adjusted at a later date based on factors including, but not limited to, on-going analysis of tax laws, regulations and interpretations thereof.

#### 3.14 Collateral

Cash collateral provided by the Fund is included in the statement of financial position in due from brokers. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Fund classifies that asset in its statement of financial position separately from other assets and identifies the asset as pledged collateral, if applicable. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the financial statements. As at December 31, 2017, there was \$247,463,202 held at brokers.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 4. Related party transactions

Certain affiliates of the Investment Manager and employees of the Investment Manager and its affiliates may directly or indirectly invest in the Fund. As of December 31, 2017, approximately 67% of redeemable participating Shares were owned by affiliates of the Investment Manager.

#### **Management fee**

The Fund pays the Investment Manager a fee for management services (the "Management Fee"), accruing monthly and payable monthly in arrears as of the last day of each month, equal to 1/12 of 0.75% per annum of the net asset value of Class A Shares, and 1/12 of 0.3% per annum of the net asset value of Class B Shares, in each case as of the beginning of each calendar month (before taking into account the estimated accrued Incentive Fee, if any). The Investment Manager may, in its sole discretion, waive all or part of the Management Fee. The Management fee charged for the period ended December 31, 2017 was \$3,846,610 of which \$1,085,830 remained payable as at December 31, 2017.

#### **Incentive fee**

Generally, at the end of each fiscal year or when all or a portion of Shares is redeemed, 35% of the net realized and unrealized appreciation in the net asset value per Share of the relevant designation of Class A Shares above the reference net asset value of Class A Share, is payable to the Investment Manager (the "Incentive Fee"). Class B shares will not be subject to any Incentive Fee. The Investment Manager may, in its sole discretion, elect to waive all or a portion of the Incentive Fee with respect to any shareholder. The shares issued to B Shares are not subject to the Incentive Fee. The incentive fee charged for the period ended December 31, 2017 was \$4,767,147 of which \$4,751,214 was payable at December 31, 2017.

#### ***Other material contracts***

##### **Administration fee**

The Administrator receives a monthly fee in arrears calculated based on the NAV determined at the end of each month. The total fees paid to the Administrator for the period ended December 31, 2017 was \$811,352, and remaining payable at the period end was \$42,000.

##### **Prime broker fees**

Barclays, J.P. Morgan, and Morgan Stanley, (the "Prime Brokers") perform a variety of brokerage and custodial services on arm's length commercial terms for the Fund for which fees are charged at normal commercial rates and expenses are to be reimbursed. The Prime Broker fee also includes the custody fees and the trade fees. The Fund pays all such fees and expenses.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 5. Financial assets and financial liabilities at fair value through profit or loss

The following table details the categories of financial assets and financial liabilities held by the Fund at the reporting date:

	<u>December 31, 2017</u>
<b>Assets</b>	
<b>Financial assets at fair value through profit or loss</b>	
Investments in common stock	55,040,556
Investments in mutual fund	169,795,200
Investments in futures contracts	1,383,759
Investments in equity swaps contracts	17,751,527
<b>Total financial assets at fair value through profit or loss</b>	<u><b>243,971,042</b></u>
<b>Liabilities</b>	
<b>Financial liabilities at fair value through profit or loss</b>	
Investments in common stock	(31,191,651)
Investments in futures contracts	(1,219,403)
Investments in equity swaps contracts	(27,344,888)
Investments in forward currency contracts	(596,480)
<b>Total financial liabilities at fair value through profit or loss</b>	<u><b>(60,352,422)</b></u>

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2017 (ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 6. Gains and losses from financial assets and liabilities

The following table details the gains and losses from financial assets and liabilities for the period from February 6, 2017 (Commencement of Operations) to December 31, 2017:

	<u>December 31, 2017</u>
<b>Gross gain (loss) from financial assets and liabilities designated as at fair value through profit or loss</b>	
Gross realized gain on securities	13,122,506
Gross realized loss on securities	(5,394,480)
Gross unrealized gain on securities	1,260,341
Gross unrealized loss on securities	(654,119)
<b>Total gross gain (loss) from financial assets and liabilities as at fair value through profit and loss</b>	<u><b>8,334,248</b></u>
<b>Gross gain (loss) from financial assets and liabilities designated as held for trading</b>	
Gross realized gain on derivative contracts	530,738,842
Gross realized loss on derivative contracts	(492,275,834)
Gross unrealized gain on derivative contracts	19,135,286
Gross unrealized loss on derivative contracts	(29,160,771)
<b>Total gross gain (loss) from financial assets and liabilities designated as held for trading</b>	<u><b>28,437,523</b></u>
<b>Gross gain (loss) from financial assets and liabilities carried at amortized cost</b>	
Gross realized foreign currency gain on cash and cash equivalents	284,955
Gross realized foreign currency loss on cash and cash equivalents	(2,801,480)
Gross unrealized foreign currency gain on cash and cash equivalents	325,894
Gross unrealized foreign currency loss on cash and cash equivalents	(550,208)
<b>Total gross gain (loss) from financial assets and liabilities carried at amortized cost</b>	<u><b>(2,740,839)</b></u>
<b>Total gross gains from financial assets and liabilities</b>	<u><b>34,030,932</b></u>

### 7. Interest and dividends

The following table details the interest income earned by the Fund during the period:

	<u>December 31, 2017</u>
<b>Interest income on financial assets designated as held for trading:</b>	
Mutual Fund	695,087
<b>Interest income on financial assets carried at amortized cost:</b>	
Cash and cash equivalents	3,790,497
<b>Total interest income</b>	<u><b>4,485,584</b></u>

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2017 (ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 7. Interest and dividends (continued)

The following table details the dividend income earned by the Fund during the period:

	<u>December 31, 2017</u>
<b>Net dividend income on financial assets at fair value through profit or loss:</b>	
Equity securities	1,468,023
<b>Total dividend income</b>	<u><b>1,468,023</b></u>

The following table details the interest expenditure incurred by the Fund during the period:

	<u>December 31, 2017</u>
<b>Interest expense on financial liabilities designated as at fair value through profit or loss:</b>	
Cash and cash equivalents	321,554
<b>Total interest expense</b>	<u><b>321,554</b></u>

The following table details the dividend expense incurred by the Fund during the period:

	<u>December 31, 2017</u>
<b>Net dividend expense on financial liabilities at fair value through profit or loss :</b>	
Equity securities sold short	1,411,938
<b>Total dividend expense</b>	<u><b>1,411,938</b></u>

### 8. Shareholders' interests

The Fund has an authorized share capital of \$50,000 divided into 1,000 non-redeemable, non-participating voting shares ("Voting Shares") with a par value of US\$1.00 per share and 49,000,000 redeemable, participating shares ("Shares") with a par value of US\$0.001 per share.

The Fund offers two classes of Shares: Class A Shares and Class B Shares denominated in U.S. dollar. Class A Shares and Class B Shares are identical in all respects, except with regard to the management fees and incentive fees as discussed in note 4.

Class B Shares are primarily offered to affiliates to the Investment Manager and CSG and certain other investors, in the sole discretion of the Investment Manager.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 8. Shareholders' interests (continued)

Shares are offered on the first day of each month at a purchase price of \$100 per share during the initial offer period and at the prevailing net asset value per share thereafter. Shares are redeemed on a monthly basis at the prevailing net asset value per share on the redemption date. Generally, a shareholder may redeem all or a portion of its Shares: (i) upon 90 days prior written notice, as of the last day of each calendar month; and (ii) upon 30 days prior written notice, as of the last day of each calendar month subject to a fee equal to 2% of the net asset value of the Shares redeemed (the "Special Redemption Fee"), to be retained by the Fund and will be allocated among the non-redeeming shareholders; provided, however, that redemption proceeds from A Shares redeemed prior to the last day of the applicable Early Redemption Period (as defined below) will be subject to a fee equal to 5% of the net asset value of the Shares redeemed (the "Early Redemption Fee"), to be retained by the Fund for the benefit of the continuing Shareholders.

The early redemption period with respect to Shares is the period commencing on the date of acquisition of such Shares and ending on the last day of the twelfth full month following such subscription date (the "Early Redemption Period").

Redemption of Shares may incur either a Special Redemption Fee or Early Redemption Fee, but in no event will both be charged with respect to the redemption of the same Shares. The Investment Manager may reduce or waive the Early Redemption Fee or the Special Redemption Fee with respect to any Shareholder or designation but only to the extent that a simultaneous subscription to the Fund offsets the amount of the redemption that generates such fees.

#### **Equalization credit**

For Class A Shares that are subscribed at a time when the net asset value per Share of the relevant designation is greater than the High Water Mark applicable to such designation, the subscriber will be required to pay an equalization credit. The high water mark is the higher of (i) US\$100 per Share denominated in US Dollars (or such other price per Share at which Shares were first issued upon establishment of the relevant designation or when no Shares of that designation were then currently in issue), and (ii) the highest net asset value per Share of the relevant designation at the end of any previous calculation period (after deduction of the Management Fee and the Incentive Fee).

The equalization credit (the "Equalization Credit") is an amount equal to 35% of the difference between the then current net asset value per Share of the relevant designation (before accrual for any Incentive Fee and any investor related taxes) and the High Water Mark applicable to such designation. The Equalization Credit will equal the Incentive Fee accrued with respect to the other Shares of that designation (the "Accrued Fee") and which should not be charged to the Shares being subscribed for.

To the extent that at the end of the calculation period the Accrued Fee remains payable, then the Equalization Credit will be used to purchase additional Shares of the relevant designation (at the prevailing net asset value per Share of such designation) for issue to the Shareholder. If the Accrued Fee is not payable then the Equalization Credit will remain at risk in the Fund until such time as the Accrued Fee is payable in whole or in part.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

### 8. Shareholders' interests (continued)

#### New issue income

From time to time, the Fund may purchase equity securities in an initial public offering. Such securities are considered "new issues" as defined in Rule 5130 of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Rule 5130 generally prohibits members of FINRA from selling new issues to an account in which a "restricted person" (as defined in Rule 5130) has an interest. Therefore, profits and losses from such new issues are not allocated to the accounts of restricted persons. For the period ended December 31, 2017, the Fund had no new issue income allocated to the holders of applicable shares.

Transactions in Shares and amount for the period from February 6, 2017 (Commencement of Operations) to December 31, 2017 were as follows:

<b>Issued and fully paid</b>	<b>Class A1 Unrestricted</b>	<b>Class A2 Restricted</b>	<b>Total Class A</b>	<b>Class B2 Restricted</b>	<b>Total Class B</b>
Opening balance	-	-	-	-	-
Issue of redeemable participating shares	1,687,024	3,915,070	<b>5,602,094</b>	521,663	<b>521,663</b>
Redemption of redeemable participating shares	-	(49,704)	<b>(49,704)</b>	(58,107)	<b>(58,107)</b>
<b>Balance at period end</b>	<b>1,687,024</b>	<b>3,865,366</b>	<b>5,552,390</b>	<b>463,556</b>	<b>463,556</b>
<b>Issued and fully paid</b>					
Shares issued during period	168,700,000	391,600,000	<b>560,300,000</b>	52,173,290	<b>52,173,290</b>
Allocation of change in net assets in the period	2,702,545	6,123,358	<b>8,825,903</b>	1,403,962	<b>1,403,962</b>
Redemption of redeemable participating shares	-	(5,000,000)	<b>(5,000,000)</b>	(5,887,502)	<b>(5,887,502)</b>
<b>Balance at period end</b>	<b>171,402,545</b>	<b>392,723,358</b>	<b>564,125,903</b>	<b>47,689,750</b>	<b>47,689,750</b>
<b>Net asset value per share period end</b>	<b>101.6006</b>	<b>101.6006</b>	<b>101.6006</b>	<b>102.8780</b>	<b>102.8780</b>

The Fund does not have any externally imposed capital requirements.

### 9. Financial instruments and associated risks

The Fund maintains positions in a variety of derivative and non-derivative financial instruments as dictated by its investment management strategy.

The Fund is exposed to a variety of financial risks that include market risk, comprising of currency risk, interest rate risk, and other price risk, credit risk and liquidity risk.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2017 (ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 9. Financial instruments and associated risks (continued)

#### *Fair value measurement*

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

*Level 1:* Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

*Level 2:* Inputs other than quoted prices included within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

*Level 3:* Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significantly unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Fund uses widely recognized valuation models for determining the fair value of common and simple financial instruments, such as equity swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed equity securities, exchange-traded derivatives, futures and simple over-the-counter derivatives such as equity swaps, futures and forward currency contracts. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 9. Financial instruments and associated risks (continued)

#### *Fair value measurement (continued)*

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognized in the statement of financial position. All fair value measurements below are recurring.

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities	55,040,556	-	-	55,040,556
Equity Swaps Contracts	-	17,749,929	1,598	17,751,527
Futures Contracts	1,383,759	-	-	1,383,759
Mutual Fund	169,795,200	-	-	169,795,200
<b>Total assets</b>	<b>226,219,515</b>	<b>17,749,929</b>	<b>1,598</b>	<b>243,971,042</b>
<b>Liabilities</b>				
Equities	(31,191,651)	-	-	(31,191,651)
Equity Swaps Contracts	-	(27,272,636)	(72,252)	(27,344,888)
Foreign Currency Forwards	-	(596,480)	-	(596,480)
Futures Contracts	(1,219,403)	-	-	(1,219,403)
<b>Total liabilities</b>	<b>(32,411,054)</b>	<b>(27,869,116)</b>	<b>(72,252)</b>	<b>(60,352,422)</b>

During the period there were no transfers between Levels 1, 2 and 3.

# QT Fund Ltd

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017**  
**(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)**

**9. Financial instruments and associated risks (continued)**

*Fair value measurement (continued)*

The following table provides quantitative information about the Level 3 fair value measurements of investments and derivatives as of December 31, 2017. In addition to the techniques and inputs noted in the table below which are consistent with the valuation policy, other valuation techniques and methodologies may be used when determining the fair value measurements. The below table is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to our fair value measurements

Assets	December 31, 2017	Valuation Techniques/ Methodologies	Unobservable Inputs	Range
Equity Swaps Contracts	1,598	Exchange price	last trade price of the underlying delisted equities	\$0.01 to last observable price
<b>Liabilities</b>				
Equity Swaps Contracts	(72,252)	Exchange price	last trade price of the underlying delisted equities	\$0.01 to last observable price

The following is a reconciliation of derivatives in which significant unobservable inputs (Level 3) were used in determining values:

	Assets	Liabilities
	Equity Swaps Contracts	Equity Swaps Contracts
Balance as of beginning of the period	-	-
Net change in unrealized gain (loss) on financial assets and liabilities at fair value through profit or loss	1,598	(72,252)
Balance at the end of the period	1,598	(72,252)
Net change in unrealized appreciation /(depreciation) from Level 3 investment still held as of December 31, 2017	1,598	(72,252)

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 9. Financial instruments and associated risks (continued)

#### *Fair value measurement (continued)*

The financial instruments not measured at fair value through profit or loss as disclosed in note 3.1(a) such as cash and cash equivalents, due from brokers and due to brokers, dividend receivable, other assets, incentive fee payable, management fee payable, dividends payable, and accrued expenses are short-term financial assets and financial liabilities whose carrying amounts approximate fair value, because of their short term nature and high credit quality of counterparties. The Fund routinely redeems and issues the redeemable shares at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements.

Accordingly, the carrying amount of net assets attributable to holders of redeemable shares approximates their fair value. The shares are categorized into Level 2 of the fair value hierarchy.

#### *Market risk*

Market risk is the risk that changes in market prices such as interest rates, foreign exchange rates, equity prices and credit spreads will affect the Fund's income or the fair value of its holdings of financial instruments. The Fund's strategy for the management of market risk is driven by its investment objective. The Fund's market risk is managed on a daily basis by the Investment Manager. Stock selection focuses primarily but not exclusively on liquid equities listed on recognized exchanges and the Fund is diversified across a range of stocks. Limits are employed in terms of position size. Position sizes and market exposure are monitored regularly by the Investment Manager. The portfolio and the markets are monitored in order to respond to new investment risks at any time.

Details of the nature of the Fund's investment portfolio at the reporting date are disclosed in the condensed schedule of investment.

#### *Currency risk*

The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency. Consequently, the Fund is exposed to the risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of the Fund's financial assets or liabilities denominated in currencies other than the US Dollar.

The Fund's currency risk is managed on a daily basis by the Investment Manager. The Fund's overall currency positions and exposures are monitored on a daily basis by the Investment Manager. The Board reviews the performance of the Investment Manager periodically.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

### 9. Financial instruments and associated risks (continued)

#### *Currency risk (continued)*

At the reporting date, the carrying amount of the Fund's net financial assets and financial liabilities held in the individual foreign currencies, expressed in US Dollars and as a percentage of its net assets, were as follows:

<b>Currency</b>	<b>Monetary Assets/ liabilities</b>	<b>Non-Monetary Assets/ Liabilities</b>	<b>Net Exposure</b>	<b>% of net assets</b>
AED	2,267	850	3,117	0.0%
AUD	(101,595)	67,136	(34,459)	(0.0%)
BRL	-	7,216	7,216	0.0%
CAD	(19,776,682)	21,002,285	1,225,603	0.2%
CHF	1,118,077	26,283	1,144,360	0.2%
CNH	-	(1,785,259)	(1,785,259)	(0.3%)
CNY	(302)	(207)	(509)	(0.0%)
CZK	(1,095)	143	(952)	(0.0%)
DKK	466,778	24,851	491,629	0.1%
EUR	1,625,809	2,643,669	4,269,478	0.7%
GBP	1,623,196	(134,612)	1,488,584	0.2%
HKD	667,020	(497,395)	169,625	0.0%
HUF	47,328	38	47,366	0.0%
IDR	-	(530)	(530)	(0.0%)
ILS	166,059	(10,949)	155,110	0.0%
INR	2,636	(5,451,429)	(5,448,793)	(0.9%)
JPY	(2,230)	235,685	233,455	0.0%
KRW	1,303,968	(8,087,036)	(6,783,068)	(1.1%)
MYR	75,569	(3,564)	72,005	0.0%
NOK	(556,787)	(38,065)	(594,852)	(0.1%)
NZD	37,089	(17,382)	19,707	0.0%
PHP	-	160	160	0.0%
PLN	73,719	1,262	74,981	0.0%
QAR	-	(147)	(147)	(0.0%)
RUB	(11,900)	1,386	(10,514)	(0.0%)
SEK	114,841	137,725	252,566	0.0%
SGD	38,350	(30,965)	7,385	0.0%
THB	93,645	(3,057,769)	(2,964,124)	(0.5%)
TRY	(207,370)	(72,956)	(280,326)	(0.0%)
TWD	(17,218)	(5,467,657)	(5,484,875)	(0.9%)
ZAR	503,159	(134,621)	368,538	0.1%
<b>Total</b>	<b>(12,715,669)</b>	<b>(641,854)</b>	<b>(13,357,523)</b>	<b>(2.2%)</b>

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

### 9. Financial instruments and associated risks (continued)

#### *Currency risk (continued)*

##### *Sensitivity analysis*

The table below sets out the effect on net assets/increase in net assets attributable to holders of redeemable participating shares of a reasonably possible weakening of the US Dollar against other currencies by 5% at December 31, 2017. The analysis assumes that all other variables, in particular interest rates, remain constant:

Currency	Effect in USD (increase) December 31, 2017	Effect in % of net assets attributable to the holders of redeemable participating shares (increase) December 31, 2017
AED	156	0.0%
AUD	(1,723)	0.0%
BRL	361	0.0%
CAD	61,280	0.0%
CHF	57,218	0.0%
CNH	(89,263)	0.0%
CNY	(25)	0.0%
CZK	(48)	0.0%
DKK	24,581	0.0%
EUR	213,474	0.0%
GBP	74,429	0.0%
HKD	8,481	0.0%
HUF	2,368	0.0%
IDR	(27)	0.0%
ILS	7,756	0.0%
INR	(272,440)	0.0%
JPY	11,673	0.0%
KRW	(339,153)	(0.1%)
MYR	3,600	0.0%
NOK	(29,743)	0.0%
NZD	985	0.0%
PHP	8	0.0%
PLN	3,749	0.0%
QAR	(7)	0.0%
RUB	(526)	0.0%
SEK	12,628	0.0%
SGD	369	0.0%
THB	(148,206)	0.0%
TRY	(14,016)	0.0%
TWD	(274,244)	0.0%
ZAR	18,427	0.0%
<b>Total</b>	<b>(667,878)</b>	<b>(0.1%)</b>

A strengthening of the USD against the above currencies would have resulted in an equal but opposite effect on the amounts shown above.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

### 9. Financial instruments and associated risks (continued)

#### *Interest rate risk*

The Fund's interest rate risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures in place. The Board reviews the performance of the Investment Manager periodically. As at December 31, 2017 the Fund does not have direct exposure to the fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

#### *Other price risk*

Other price risk is the risk that fair value of an instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As the majority of the Fund's financial instruments are carried at fair value with fair value changes recognized in the statement of comprehensive income, all changes in market conditions will directly affect the increase in net assets attributable to holders of redeemable participating shares.

The following table sets out the concentration of the investment assets and liabilities, excluding derivatives held by the Fund as at December 31, 2017.

<b>Investment assets</b>	<b>Fair Value</b>	<b>% of Net Assets</b>
Equities	55,040,556	9.00%
Mutual Fund	169,795,200	27.75%
<b>Total investment assets</b>	<b>224,835,756</b>	<b>36.75%</b>

  

<b>Investment liabilities</b>		
Equities	(31,191,651)	(5.10%)
<b>Total investment liabilities</b>	<b>(31,191,651)</b>	<b>(5.10%)</b>

The following table sets out the concentration of derivative assets and liabilities. It shows fair values and the notional amount of derivative assets and liabilities held by the Fund as at the December 31, 2017.

<b>Derivative assets</b>	<b>Fair value</b>	<b>Notional</b>
Equities Swaps Contracts	17,751,527	94,884,949
Futures Contracts	1,383,759	460,276,043
<b>Total derivative assets</b>	<b>19,135,286</b>	<b>555,160,992</b>

  

<b>Derivative liabilities</b>		
Equity Swaps Contracts	(27,344,888)	119,151,826
Forward Contracts	(596,480)	22,954,257
Listed Futures Contracts	(1,219,403)	445,159,208
<b>Total derivative liabilities</b>	<b>(29,160,771)</b>	<b>587,265,291</b>

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2017 (ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 9. Financial instruments and associated risks (continued)

#### *Other price risk (continued)*

The investment manager monitors the concentration risk for equity based on counterparties and industries. Refer to the Fund's condensed schedule of investments for its concentration of equity investments in various industries.

There were no significant concentrations of risk to issuers at December 31, 2017. Other than the positions disclosed in the condensed schedule of investments, there were no further exposures to any individual issuer exceeding 5% of the net assets attributable to the holders of redeemable participating shares at December 31, 2017.

A 5% increase in market prices on exchange-traded equity securities and securities sold short as at December 31, 2017 would have increased the net gain by \$9,682,205. A decrease of 5% would have resulted in an equal but opposite effect.

#### *Credit risk*

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

The Fund's financial assets exposed to credit risk amounted to the following:

<b>All amounts stated in US Dollar:</b>	<b>2017</b>
Financial assets at fair value through profit or loss	243,971,042
Amounts due from broker	500,866,733
Dividend receivable	103,946
<b>Total</b>	<b>744,941,721</b>

Amounts in the above table are based on the carrying value of the accounts.

The Fund reduces its exposure to credit losses on trading of derivative instruments by entering into master netting arrangements with counterparties (approved brokers) with whom it undertakes a significant volume of transactions. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Fund's overall exposure to credit risk on derivative instruments subject to a master netting arrangement can change substantially within a short period, as it is affected by each transaction subject to the arrangement. As at December 31, 2017, the credit risks on favourable contracts have a fair value of \$19,135,286.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 9. Financial instruments and associated risks (continued)

#### *Credit risk (continued)*

The Prime Brokers, who are also the custodians and bankers, hold all of the assets of the Fund. Bankruptcy or insolvency of the Prime Brokers may cause the Fund's rights with respect to securities and cash held by it to be delayed or limited. The Fund's Investment Manager manages its risk by monitoring the credit quality and financial position of the Prime Brokers it uses. The credit rating for Morgan Stanley was BBB+, J.P. Morgan was A- and Barclays was BBB as per Standard and Poor's as at December 31, 2017.

Investments and cash may also be deposited by the Fund with the Prime Brokers as margin requirement and constitute collateral. As at December 31, 2017 there was \$247,463,202 pledged as collateral by the Fund.

The maximum exposure to credit risk is limited to amounts in the statement of financial position for due from brokers and dividend receivable.

Individual investment position exposure to credit risk is disclosed in the condensed schedule of investments which shows its percentage value of the Fund's net assets.

#### *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund's liquidity risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures in place. The Investment Manager applies risk measurement techniques according to market circumstances and regularly evaluates the liquidity of the portfolio in normal and stressed conditions as well as the impact on the Fund's liquidity of any significant redemption.

The Fund's constitution provides for the monthly subscription and redemption of shares and it is therefore exposed to the liquidity risk of meeting shareholder redemptions at any time. The Investment Manager manages the liquidity risk of redemptions using the mandatory notice period of at least ninety business days, which gives the Fund sufficient time to meet the liquidity requirements. The majority of the Fund's investments are listed equities and futures which can be unwound within the notice period without any market impact.

The Fund aims to maintain a sufficient amount of cash to settle its accounts payable and accrued expenses and other obligations.

The contractual maturities of liabilities are less than one month.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

### 9. Financial instruments and associated risks (continued)

#### *Liquidity risk (continued)*

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

<b>December 31, 2017</b>	<b>Within 1 month</b>	<b>1 to 3 months</b>	<b>3 months to 1 year</b>	<b>More than 1 year</b>
Financial liabilities at fair value through profit or loss	(59,771,777)	-	(201,775)	(378,870)
Due to brokers	(62,264,114)	-	-	-
Dividends payable	(11,800)	(5,643)	-	-
Management fee payable	(1,085,830)	-	-	-
Incentive fee payable	(4,751,214)	-	-	-
Equalization credit payable	(34,037)	-	-	-
Accrued expenses	(6,072,153)	-	-	-
	<b>(133,990,925)</b>	<b>(5,643)</b>	<b>(201,775)</b>	<b>(378,870)</b>

#### **Forward currency contracts**

Forward currency contracts are commitments either to purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specific price and may be settled in cash or another financial asset. Forward currency contracts are individually traded over-the-counter contracts.

Forward currency contracts result in credit exposure to the counterparty. J.P.Morgan was the counterparty for forward currency contracts as at December 31, 2017.

Forward currency contracts result in exposure to market risk based on changes in market prices relative to contracted amounts. Market risks arise due to the possible movement in foreign currency exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of forward trading account. As a result, a relatively small price movement in an underlying of a forward currency contract may result in substantial losses to the Fund. Forward currency contracts are generally subject to liquidity risk.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 9. Financial instruments and associated risks (continued)

#### Forward currency contracts (continued)

Notional amounts are the underlying reference amounts to stock exchange indices, equities and foreign currencies upon which the fair value of the forward currency contracts traded by the Fund are based. While notional amounts do not represent the current fair value and are not necessarily indicative of the future cash flows of the Fund's forward currency contracts, the underlying price changes in relation to the variables specified by the notional amounts affect the fair value of these derivative financial instruments.

At December 31, 2017, the Fund had contracted to buy and sell the following amounts:

<b>Purchase Currency</b>	<b>Number of contracts</b>	<b>Sale Currency</b>	<b>Amount USD</b>	<b>Settlement Date</b>	<b>Unrealized gain/(loss)</b>
USD	1	CNH	290,873	1/16/2018	(15,835)
USD	1	CNH	1,451,134	12/19/2018	(27,417)
USD	1	INR	5,384,277	2/6/2018	(75,820)
USD	3	KRW	4,384,927	7/17/2018	(258,099)
USD	1	KRW	1,968,356	11/9/2018	(82,356)
USD	1	KRW	981,811	12/21/2018	(10,998)
USD	1	THB	3,013,140	2/5/2018	(52,631)
USD	1	TWD	1,997,505	2/5/2018	(30,915)
USD	1	TWD	3,338,483	2/6/2018	(42,409)
<b>Net unrealized loss on forward currency contracts</b>					<b>(596,480)</b>

The following table sets forth, by major risk type, the Fund's gains (losses) related to the trading activities of derivative financial instruments for the financial period ended December 31, 2017. These gains (losses) are not representative of the Fund's total trading activities as many of the Fund's trading strategies utilize financial instruments across various risk types. Accordingly, gains or losses in one risk type frequently offset gains or losses in other risk types.

Similarly, the trading strategies of the Fund often economically hedge the trading of derivative financial instruments with non-derivative financial instruments. The gains (losses) are included in gross realized gain/change in unrealized loss on financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

### 9. Financial instruments and associated risks (continued)

#### Derivative financial instruments

Primary underlying risk	Derivative assets	Derivative liabilities	Realized gain	Realized loss	Unrealized gain	Unrealized loss
<b>Credit</b>						
Futures contracts	2,853	(1,205)	-	(6,766)	2,853	(1,205)
<b>Equity price</b>						
Futures Contracts	1,380,906	(1,218,198)	18,093,567	(50,410,339)	1,380,906	(1,218,198)
Equity Swaps Contracts	17,751,527	(27,344,888)	512,610,844	(441,623,657)	17,751,527	(27,344,888)
	19,132,433	(28,563,086)	530,704,411	(492,033,996)	19,132,433	(28,563,086)
<b>Foreign currency exchange risk</b>						
Forward currency contracts	-	(596,480)	34,431	(235,072)	-	(596,480)
	-	(596,480)	34,431	(235,072)	-	(596,480)
<b>Total</b>	<b>19,135,286</b>	<b>(29,160,771)</b>	<b>530,738,842</b>	<b>(492,275,834)</b>	<b>19,135,286</b>	<b>(29,160,771)</b>

#### Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments, either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

The Fund's objective is to manage operational risk so as to balance the limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 9. Financial instruments and associated risks (continued)

#### Operational risk (continued)

The primary responsibility for the development and implementation of controls over operational risk rests with the Investment Manager and the Board. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures;
- requirements for:
  - appropriate segregation of duties between various functions, roles and responsibilities;
  - reconciliation and monitoring of transactions; and
  - periodic assessment of operational risk faced;
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective.

The Investment Manager and the Board's assessment of the adequacy of the controls and processes in place at the service providers with respect to operational risk is carried out via regular discussions with the service providers and a review of the service providers' Service Organization Controls ("SOC 1") reports on internal controls, if any are available.

Substantially all of the assets of the Fund are held by Barclays Capital Securities Limited, Barclays Capital Inc., J.P.Morgan Securities plc and Morgan Stanley & Co. LLC. The bankruptcy or insolvency of the Fund's custodian may cause the Fund's rights with respect to the securities held by the custodian to be limited. The Investment Manager monitors the credit ratings and capital adequacy of its custodian on a monthly, quarterly or other basis, and reviews the findings documented in the SOC 1 report on the internal controls annually, where available.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

### 10. Off-setting of financial instruments

The Fund holds financial assets and liabilities that are eligible for offset in the statement of financial position and are subject to a master netting agreement; however, the Fund has elected not to offset assets and liabilities in the statement of financial position.

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting or similar agreement such as, derivative clearing agreements that covers similar financial instruments.

	(a)	(b)	(c)=(a)-(b)	Gross amounts not offset in the statement of financial position		(e)=(c)-(d)
	Gross amounts of recognized assets	Gross amounts offset in the statement of financial position	Gross amounts of assets presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount
<b>Type of financial assets</b>						
Derivatives						
Barclays	3,011,115	-	3,011,115	(3,011,115)	-	-
J.P. Morgan	2,677,960	-	2,677,960	(2,677,960)	-	-
Morgan Stanley	13,446,211	-	13,446,211	(13,446,211)	-	-
<b>Total</b>	<b>19,135,286</b>	<b>-</b>	<b>19,135,286</b>	<b>(19,135,286)</b>	<b>-</b>	<b>-</b>

	(a)	(b)	(c)=(a)-(b)	Related amounts not offset in the statement of financial position		(e)=(c)-(d)
	Gross amounts of recognized liabilities	Gross amounts offset in the statement of financial position	Gross amount presented on the statement of financial position	Financial instruments	Cash collateral pledged	Net amount
<b>Type of financial liabilities</b>						
Derivatives						
Barclays	(3,415,071)	-	(3,415,071)	3,011,115	403,956	-
J.P. Morgan	(4,197,285)	-	(4,197,285)	2,677,960	1,519,325	-
Morgan Stanley	(21,548,415)	-	(21,548,415)	13,446,211	8,102,204	-
<b>Total</b>	<b>(29,160,771)</b>	<b>-</b>	<b>(29,160,771)</b>	<b>19,135,286</b>	<b>10,025,485</b>	<b>-</b>

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 10. Off-setting of financial instruments (continued)

The ISDA and similar master netting agreements meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Fund or the counterparties. In addition, the Fund and its counterparties intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The collateral provided in respect of the above transactions is subject to the standard industry terms of ISDA's Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions on the counterparty's failure to post collateral.

### 11. Accrued expenses

The following table details the accrued expenses outstanding at the period end:

	<u>December 31, 2017</u>
Withholding tax payable	(104,709)
Exchange fee payable	(104,984)
Accounting fee payable	(18,333)
Administration fee payable	(23,667)
Audit fee payable	(89,000)
Direct manager fixed expenses payable	(1,557,146)
Miscellaneous fee payable	(19,863)
Employee benefits payable	(1,897,369)
Organizational cost payable	(286,400)
Information technology fee payable	(1,970,682)
<b>Total accrued expenses</b>	<b><u><u>(6,072,153)</u></u></b>

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 12. Other expenses

The following table details the other expenses incurred by the Fund during the period ended:

	<u>December 31, 2017</u>
Rebate income	4,128
Bank fee	695
Direct manager fixed expenses	4,437,315
Miscellaneous expense	50,870
Employee benefits	5,671,314
Organizational costs expense	284,093
Prime broker and custodian fee	9,559
Service fee expense	284
Information technology fee expense	4,978,655
<b>Total other expenses</b>	<b><u>15,436,913</u></b>

Direct manager fixed expenses include the Investment Manager's direct expenses and expenses of CSG that are directly related to the operations of the Investment Manager as they relate to the management of the Fund, including, without limitation, rent, utilities, supplies, secretarial expenses, stationery, charges for furniture, fixtures and equipment, cost and expenses related to exchange memberships; communications and information technology machinery, equipment and services; and information systems.

Employee benefits include, without limitation, insurance, payroll taxes and compensation of personnel (excluding performance bonuses but including payroll taxes payable on performance bonuses); legal and other advisory and consulting expenses; premiums for liability insurance covering the Investment Manager and its directors, shareholders, officers, employees and agents.

Information technology fee includes expenses of CSG that are allocated to the Investment Manager based upon an internal labor allocation survey that are related to the use of information technology (including IT personnel) by the Investment Manager on behalf of the Fund, including, but not limited to, costs related to software and information technology development, hardware, server costs and personnel expenses (including related overhead) of any employee of the CSG that devotes all or substantially all time to the Fund or other products managed by the Investment Manager. The foregoing costs and expenses related to personnel include all employees of the Investment Manager and any employee of the CSG that devotes time to the Fund or other products managed by the Investment Manager

### 13. Subsequent events

The Investment Manager and Board of Directors have considered the circumstances under which the Fund should recognize or make disclosures regarding events or transactions occurring subsequent to the statement of financial position date through March 29, 2018 which represents the date the financial statements are available to be issued. Adjustments or additional disclosures, if any, have been included in these financial statements.

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2017 (ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

### 14. Indemnifications

In the normal course of business, the Fund enters into certain contracts that provide a variety of indemnities. The Fund's maximum exposure under these indemnities is unknown, however, no liabilities have arisen under these indemnities in the past and, while there can be no assurances in this regard, there is no expectation that any will occur in the future. Therefore, management does not consider it necessary to record a liability as of December 31, 2017.

### 15. US GAAP additional information

These financial statements are prepared in accordance with International Financial Reporting Standards and presents additional disclosures regarding the condensed schedule of investments and the financial highlights, as reconciled to US generally accepted accounting principles.

The following represents per share information, total return and ratios to average net assets for each initial class for the financial period from February 6, 2017 (Commencement of Operations) to December 31, 2017.

	Class A1 Unrestricted <sup>(a)</sup>	Class A2 Restricted <sup>(a)</sup>	Class B2 Restricted <sup>(a)</sup>
<b>Per unit operating performance</b>			
Net asset value, beginning of the period	\$ 100.00	\$ 100.00	\$ 100.00
Increase in net assets resulting from operations:			
Net investment loss	(3.1925)	(3.1925)	(2.7962)
Incentive Fee	(0.8618)	(0.8618)	-
Net realized and unrealized loss on financial assets and liabilities at fair value through profit or loss	5.6549	5.6549	5.6742
Net decrease in net assets resulting from operations	1.6006	1.6006	\$ 2.8780
<b>Net asset value, end of the period</b>	<b>\$ 101.6006</b>	<b>\$ 101.6006</b>	<b>\$ 102.8780</b>
<b>Total return</b>			
Total return before Incentive Fees	2.47%	2.47%	2.88%
Incentive Fee	(0.87%)	(0.87%)	0.00%
<b>Total return after Incentive Fees</b>	<b>1.60%</b>	<b>1.60%</b>	<b>2.88%</b>
<b>Ratio to average net assets</b>			
Ratio to expenses before Incentive Fees to average net assets <sup>(b)</sup>	(4.20%)	(4.20%)	(3.80%)
Incentive Fee	(0.87%)	(0.87%)	0.00%
<b>Ratio to expenses after Incentive Fees to average net assets<sup>(b)</sup></b>	<b>(5.07%)</b>	<b>(5.07%)</b>	<b>(3.80%)</b>
<b>Ratios to net investment loss to average net assets</b>	<b>(3.21%)</b>	<b>(3.20%)</b>	<b>(2.81%)</b>

# QT Fund Ltd

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE STATED)

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### 15. US GAAP additional information (continued)

Total return and ratios to average net assets are calculated for the initial series of each class of share. A shareholder's total return and ratios to average net assets may vary from these results based on different management fee and incentive allocation and the timing of capital share transactions. Average net assets have been computed based on monthly valuations. The ratios to average net assets, excluding non-recurring expenses (such as organisation costs and professional fees) and the incentive allocation have been annualized. Total return has not been annualized.

Total return is calculated before and after incentive fees based on a time-weighted rate of return methodology. Monthly rates of return are compounded to derive the total return for the period from February 6, 2017 (Commencement of Operations) to December 31, 2017. An individual shareholder's return can differ depending on the timing of subscriptions, redemptions, and fee terms.

- (a) Financial highlights for Class A1 Unrestricted, Class A2 Restricted and Class B2 Restricted are not annualized for the period from February 6, 2017 (date of class inception) through December 31, 2017.
- (b) Expenses include interest, withholding tax, dividend, commission fees, management fees, prime broker fees, administration fees, professional fees, stock loan fees, incentive fees, director's fees and other expenses, as noted in the statement of comprehensive income.

### 16. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board on March 29, 2018.