



Annual report

Lupus alpha CLO High Quality Invest

as of 30 November 2023

Lupus alpha

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Activity report for the period: 1 December 2022 - 30 November 2023

Investment objectives and investment policy to achieve the objectives:

The fund aims to generate a positive investment result over the long term. To this end, investments are primarily made in tranches of collateralised loan obligations (CLOs) with good ratings (investment grade). In addition, investments may also be made in fixed and floating rate securities and money market instruments and, to a lesser extent, in instruments used to hedge currency risks.

CLOs are structured financial transactions in which a package of corporate senior secured loans serves as collateral for several rated or unrated securities that differ in terms of their credit risk.

CLOs had a significant impact on the credit market. While they covered almost the entire net loan supply (94%) in 2022, in the past year this changed. New money (gross loan supply minus refinancing and repricings) amounted to EUR 17bn in the first half of the year, but CLO issuance fell to EUR 11.6bn or to only 68% of net loan supply. Despite the falling demand for CLOs, the net supply of loans nevertheless rose and with it, the overall market. If we observe the issue spreads of new issues this year, on the one hand, a downward trend may be seen and on the other, spreads were slightly below the long-term trend from July onwards. Globally active managers dominated, accounting for 82% of European new issues in 2023.

The recovery in the European loan market continued. In December 2022, issue prices were still around 91% of face value. Over the course of the year, these rose to a peak of almost 97% in September. They have since fallen to 95.5% today. The proportion of issues above par was around 0.2% in January and has since risen to 5%. The proportion in the 80-90% price segment is now 7%, while that for the 95-100% segment has risen from 52% to 69%. The bid-ask spread has contracted significantly. Junior OC levels hardly changed over the course of the year and are around 108.5%. The trigger is at 104.3%.

The proportion of CCC loans across all European CLOs rose slightly from 3.81% (12 months ago) to 4.1%. The weighted average rating factor deteriorated slightly from 2884 to 2907 and the annualised default rate also deteriorated slightly from 0.35% to 0.48%. The average quality test for the trigger (a measure of the quality of the portfolio) rose from 13% to 15%. Overall, the quality of the loan portfolio remained stable.

AAA-rated tranches were still trading at liquidity premiums of 200 basis points at the beginning of the year, falling over the course of the year to over 160 basis points in November. Liquidity premiums for AA-rated and A-rated tranches also fell sharply and currently stand at 240 and 340 basis points respectively. The premium for BBB ratings, which stood at 680 basis points at the start of the year, fell to over 500 basis points over the course of the year.

At the start of the year, the AAA ratio of the portfolio was approx. 4.7%, the AA ratio approx. 21% and the A ratio approx. 44%. The AAA ratio has now been reduced to 0%, while the cash ratio was also reduced to 1.5%. At the start of the year, the fund's NAV amounted to around EUR 73 million and has now been increased to slightly above EUR 81 million. These inflows may be used for reallocations and new acquisitions. Due to the volatile markets and spreads which narrowed over the course of the year, cash inflows were allocated promptly in order to acquire first class deals with attractive conditions from CLO managers. The average price of the 53 CLO tranches was 96%. The average coupon rose from 4% to almost 7% over the course of the year and consists of the rising Libor rate and the increased spreads. The yield (discount margin) stands at 3.9%.

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities (under Article 7 of Regulation (EU) 2020/852 of the European Parliament and Council).

Portfolio structure and significant changes during the reporting period: Structure of the fund:

	30 November 2023	% quota	30 November 2022	% quota
Fixed interest securities	74,422,091.88	92.14	67,980,607.07	92.61
Cash at banks, money market instruments and money market funds	5,733,833.53	7.10	5,111,507.18	6.95
Other assets	693,593.57	0.86	365,490.95	0.50
Other liabilities	-81,868.25	-0.10	-40,718.83	-0.06
Fund assets	80,767,650.73	100.00	73,416,886.37	100.00

Fund earnings:

Including the interest received from the coupon and accrued interest, a performance of 10.89% was achieved during the financial year until end-November. The distribution amounts to EUR 4.14 per unit.

The main sources of negative income from disposals were losses on interest-bearing securities.

Significant risks:

The main types of risk assumed by the fund during the reporting period were as follows:

- Market price risk: The volatility of the unit value of the investment fund was approximately 2.1% during the financial year. In general, CLOs are less liquid than corporate bonds with comparable ratings. During periods of stress, the volatility of tranche valuations increases accordingly.
- Default risk: The fund invests in CLO tranches with a good rating (investment grade). If defaults occur within the CLO loan portfolios, the rated tranches may be affected by interest or capital losses if defaults remain high.
- Liquidity risk: The fund invests primarily in European CLO tranches. Sales through the market are usually possible at any time by means of an auction process. During periods of financial market stress, the CLO market is characterised by high bid/ask spreads and liquidity may be restricted.
- Currency risk: The fund only held bonds denominated in euros during the reporting period.
- Operational risk: In principle, the fund is exposed to operational risk in the processes of the management company but did not report any increased operational risk during the reporting period.
- Interest rate risk: The fund invests predominantly in variable-rate European CLOs. The fund's duration and thus the interest rate risk are therefore relatively low.

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Statement of assets as of 30 November 2023

Investment focus	Current value in EUR	% of fund assets ¹⁾
Assets		
Asset-backed securities	74,422,091.88	92.14
Ireland	73,547,389.63	91.06
Netherlands	874,702.25	1.08
Cash at banks, money market instruments and money market funds	5,733,833.53	7.10
Other assets	693,593.57	0.86
Other liabilities	-81,868.25	-0.10
Fund assets	80,767,650.73	100.00

¹⁾ Minor rounding differences may arise as a result of rounding percentages in the calculation.

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Statement of net assets as of 30 November 2023

Name	ISIN	Market	Qty, units, or currency in 1,000	As of 30 November 2023	Purchases/ Acquisitions	Sales/ Disposals		Market price	Market value in EUR	% of fund assets ¹⁾
					during the reporting period					
Securities traded on an exchange										
Interest-bearing securities										
6.3690% ARMALO I 21/34 FLR C	XS2333785850	7)	EUR	1,325	0	0	%	96.246	1,275,260.36	1.58
6.2550% AURILO I 19/32 CRR	XS2041077939	7)	EUR	1,000	0	0	%	96.178	961,778.70	1.19
6.3650% BAIN C. 19-1 19/32 FLR C	XS2075848601	7)	EUR	1,500	0	0	%	95.515	1,432,723.95	1.77
7.6060% BAR.EO 15-1 22/35 FLR D	XS2425515082	7)	EUR	1,000	0	0	%	91.221	912,206.75	1.13
7.1650% BAR.EO 18-2 18/31 FLR D	XS1857762717	7)	EUR	1,000	0	0	%	95.176	951,759.50	1.18
5.7520 % BAR.EO 20-1 21/34 FLR B-R	XS2401843540	7)	EUR	2,500	0	0	%	95.597	2,389,920.00	2.96
6.3650% BAR.EO 21-2 21/34 FLR C	XS2369919209	7)	EUR	2,000	0	0	%	92.661	1,853,219.50	2.29
7.5380% BAR.EO 21-3 22/34 FLR D	XS2409287443	7)	EUR	1,000	0	0	%	91.531	915,312.55	1.13
10.1820% BARINGS 23-1 23/36FLR D	XS2583347013	7)	EUR	1,700	1,700	0	%	101.024	1,717,413.10	2.13
5.5020% BBAM E.CLO I 21/34 FLR B1R	XS2344625558	7)	EUR	1,000	0	0	%	94.851	948,511.00	1.17
5.9430% BLACK DIAM.17-2 17/32 C	XS1713075627	7)	EUR	1,000	0	0	%	97.435	974,351.85	1.21
8.9770 % BRIDGEP. V 23/36 FLR D	XS2661945100	7)	EUR	2,000	2,000	0	%	100.136	2,002,710.00	2.48
5.6150% BRIDGEPOINT2 21/35 FLR	XS2352782432	7)	EUR	1,000	0	0	%	96.989	969,886.05	1.20
5.7450% BRIDGEPOINT3 21/36 FLR B	XS2395173748	7)	EUR	2,000	0	0	%	96.963	1,939,260.00	2.40
5.6650% CARL.GL.15-1 20/33 A-2A-R	XS2109446133	7)	EUR	1,000	0	0	%	96.350	963,501.25	1.19
6.3650% CARLYLE 16-2 21/34FLR BRR	XS2305604550	7)	EUR	1,000	0	0	%	92.701	927,010.10	1.15
5.5560% CARLYLE G.M.14-3 18/32 BR	XS1751481752	7)	EUR	500	0	0	%	94.178	470,891.43	0.58
7.9520% CONT.CLO VII 19/32 FLR D	XS2053879354	7)	EUR	1,000	0	0	%	96.755	967,550.30	1.20
6.0840 % CVC C.LF.XXI 21/34 C REGS	XS2370712635	7)	EUR	2,000	0	0	%	94.488	1,889,752.00	2.34
6.2560% CVC CL.XXIII 22/36 FLR B1	XS2441239881	7)	EUR	2,000	0	0	%	99.273	1,985,454.00	2.46
6.9650% CVCVIII 21/34 FLR REGS DR	XS2337070234	7)	EUR	1,000	0	0	%	92.339	923,390.60	1.14
3.0000% DRYDEN 32 14 18/31 C2R	XS1864912461	7)	EUR	1,000	0	0	%	87.470	874,702.25	1.08
6.7650% DRYDEN 48-16 19/32 FLR C1R	XS2044128473	7)	EUR	1,500	0	0	%	95.034	1,425,508.20	1.76
6.3300% EURO-GALAXY VI 18/31D FLR	XS1766837592	7)	EUR	1,000	0	0	%	93.732	937,324.45	1.16
5.4650% F.OAKS FD.II 21/34 FLR B1R	XS2346331122	7)	EUR	2,000	0	0	%	95.880	1,917,600.00	2.37
8.3550% FIDEL.GR.H. 22/36 FLR C	XS2511429396	7)	EUR	1,300	0	0	%	100.092	1,301,190.48	1.61
5.8750% HA.L.AEF18-1 18/31 C	XS1840845462	7)	EUR	2,000	0	0	%	96.112	1,922,238.90	2.38
6.5150% HARVEST XVIII 18/30 FLR D	XS1728822005	7)	EUR	1,000	1,000	0	%	92.373	923,725.05	1.14
8.6020% ICG E.C.22-1 22/35 D FLR	XS2469129717	7)	EUR	1,000	0	0	%	100.066	1,000,656.65	1.24
6.3650% ICGEOCLO21-1 21/34 C FLR	XS2369927566	7)	EUR	2,000	0	0	%	93.894	1,877,870.90	2.33
10.3330% INV.EU.X 23/36 FLR D REGS	XS2631222671	7)	EUR	2,000	2,000	0	%	101.228	2,024,565.00	2.51
6.5650% INVES.E.III 19/32 FLR C	XS2072092013	7)	EUR	1,000	0	0	%	94.562	945,624.45	1.17
6.4150% JUB.CLO 13-X 21/34 FLR C	XS2332243166	7)	EUR	2,000	0	0	%	96.294	1,925,877.30	2.38
5.7060% JUBILEE 17-XIX 17/30 C	XS1706233555	7)	EUR	1,000	0	0	%	93.061	930,612.15	1.15
7.4150% JUBILEE CLO 16-XVII 18/31 DR	XS1874093906	7)	EUR	3,000	0	0	%	93.398	2,801,946.90	3.47
8.0430% MACKAY SHIL. 19/32 D	XS2010042252	7)	EUR	2,000	0	0	%	97.238	1,944,769.40	2.41

¹⁾ Minor rounding differences may arise as a result of rounding percentages in the calculation.

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Statement of net assets as of 30 November 2023

Name	ISIN	Market	Qty, units, or currency in 1,000	As of 30 November 2023	Purchases/ Acquisition	Sales/ Disposals	Market price	Market value in EUR	% of fund assets ¹⁾	
					during the reporting period					
6.1650% MADIS.PK IX 21/35 FLR C-R	XS2346594307	7)	EUR	1,000	0	0	%	94.188	941,882.95	1.17
7.7020% NEWHAVEN CLO 21/34FLR D-R	XS2317276983	7)	EUR	1,000	0	0	%	93.547	935,468.40	1.16
6.0020% NW7 ESG C.D. 21/34 FLR C	XS2338111144	7)	EUR	1,000	0	0	%	94.713	947,130.45	1.17
6.9520% NW7 ESG C.D. 21/34 FLR D	XS2338111490	7)	EUR	1,000	0	0	%	90.813	908,127.85	1.12
5.7740% PENTA C.21-2 21/34 FLR B1	XS2393698043	7)	EUR	2,000	0	0	%	97.266	1,945,324.00	2.41
7.8150% PENTA CLO 14 23/36 FLR C	XS2580301765	7)	EUR	1,500	1,500	0	%	99.883	1,498,239.00	1.85
5.7850% PENTA CLO 3 22/35 FLR B1R	XS2440089410	7)	EUR	1,000	0	0	%	96.793	967,927.65	1.20
7.8150% PROVIDUS VII 22/36 FLR C	XS2463528443	7)	EUR	1,000	0	0	%	100.877	1,008,767.35	1.25
8.0930% PURPLE FIN.2 19/32 FLR D	XS2052406084	7)	EUR	1,500	0	0	%	97.106	1,456,586.48	1.80
6.3430% SEG.EUR 6-19 19/32FLR C-1	XS2357556450	7)	EUR	1,000	0	0	%	96.808	968,083.35	1.20
7.9560% SEGOVIA 3-17 22/35 FLR D	XS2442778887	7)	EUR	1,500	0	0	%	96.444	1,446,654.00	1.79
6.5520% ST. PAULS X 21/35 FLR CR	XS2319912049	7)	EUR	1,000	0	0	%	96.394	963,936.50	1.19
7.7520% ST. PAULS X 21/35 FLR D	XS2319912395	7)	EUR	1,000	0	0	%	96.008	960,080.80	1.19
6.3750% ST. PAULS VII 21/34 FLR CRR	XS2345329440	7)	EUR	1,000	0	0	%	95.193	951,926.65	1.18
7.4750% ST. PAULS VII 21/34 FLR DRR	XS2345330299	7)	EUR	1,000	0	0	%	94.464	944,637.00	1.17
5.5520% TIKEHAU II 21/35 FLR B-1	XS2393254755	7)	EUR	1,000	0	0	%	96.490	964,895.00	1.19
8.5130% TIKEHAU VII 22/35 FLR C	XS2513944079	7)	EUR	1,000	0	0	%	100.823	1,008,226.05	1.25
7.4650% TORO EURO. 8 22/35 FLR C	XS2449927495	7)	EUR	2,000	0	0	%	99.558	1,991,160.00	2.47
7.1650% TORO EURO.CLO 4 17/30 DR	XS1639911012	7)	EUR	1,000	0	0	%	98.350	983,496.35	1.22
7.7150% TRIN.EU.CLO2 22/35 FLR C	XS2462960654	7)	EUR	1,000	0	0	%	100.398	1,003,982.15	1.24
8.5950% TRIN.EU.CLO2 22/35 FLR D	XS2462960571	7)	EUR	1,500	0	0	%	99.966	1,499,484.83	1.86
Total interest-bearing securities							EUR	74,422,091.88	92.14	
Total securities traded on an exchange							EUR	74,422,091.88	92.14	
Total securities holdings							EUR	74,422,091.88	92.14	
Cash at banks, money market instruments and money market funds										
EUR Balances with the custodian										
The Bank of New York Mellon SA/NV			EUR	2,233,833.53			%	100.000	2,233,833.53	2.77
Time deposits redeemable early										
Bayerische Landesbank			EUR	3,500,000.00			%	100.000	3,500,000.00	4.33
Total time deposits redeemable early							EUR	3,500,000.00	4.33	
Total cash at banks							EUR	5,733,833.53	7.10	
Total cash at banks, money market instruments and money market funds							EUR	5,733,833.53	7.10	
Other assets										
Interest claims			EUR	693,593.57					693,593.57	0.86

¹⁾ Minor rounding differences may arise as a result of rounding percentages in the calculation.

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Statement of net assets as of 30 November 2023

Name	ISIN	Market	Qty, units, or currency in 1,000	As of 30 November 2023	Purchases/ Acquisition	Sales/ Disposals	Market price	Market value in EUR	% of fund assets ¹⁾
						during the reporting period			
Total other assets EUR							693,593.57		0.86
Other liabilities									
Accrued expenses			EUR	-44,687.45				-44,687.45	-0.05
Payables from pending transactions			EUR	-37,180.80				-37,180.80	-0.05
Total other liabilities							EUR	-81,868.25	-0.10
Fund assets							EUR	80,767,650.73	100.00
Outstanding units							QTY	781,274	
Unit value							EUR	103.38	

Securities holdings as a percentage of fund assets

92.14

7) These are bonds with a pool factor, where the market value is also affected by partial redemption or partly capitalised interest.

Securities prices/market rates

The investment fund assets are valued on the basis of the following list/market prices:

All assets: Prices/market rates as of 30 November 2023 or last known

¹⁾ Minor rounding differences may arise as a result of rounding percentages in the calculation.

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Transactions completed during the reporting period, not included in the statement of net assets:

- Purchases and sales of securities, investment fund units and bonded loans (market allocation as of the reporting date):

Generic name	ISIN	Qty, units, nominal value or currency in 1,000	Purchases/ Acquisition	Sales/ Disposals
Securities traded on an exchange				
Interest-bearing securities				
7.1560% BABSON EU.CLO14-2 17/29 DR	XS1613072112	EUR	0	1,000
5.0450 % GR.HARB.19-1 19/32 A	XS2020626953	EUR	0	1,500
5.6650% HAR.CLO XXIV 21/34 FLR B1R	XS2370603347	EUR	0	1,000
4.8150% OAK HIL.VIII 21/35 A REGS	XS2296336279	EUR	0	2,000

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Profit and loss account (including income equalisation) for the period from 1 December 2022 to 30 November 2023

I. Income

1. Interest on investments in liquid assets, domestic	EUR	53,631.47
2. Interest from securities of foreign issuers without deducting withholding tax	EUR	4,565,620.63
Total income	EUR	4,619,252.10

II. Expenses

1. Auditing and publication charges	EUR	-11,881.88
2. Custodian fee	EUR	-36,867.71
3. Management fee	EUR	-464,719.10
4. Other expenses	EUR	-13,163.92
Total expenses	EUR	-526,632.61

III. Ordinary net income

EUR 4,092,619.49

IV. Disposals

1. Realised gains	EUR	92,258.29
2. Realised losses	EUR	-92,914.11
Income from disposals	EUR	-655.82

V. Realised income for the financial year

EUR 4,091,963.67

1. Net change in unrealised gains	EUR	525,776.03
2. Net change in unrealised losses	EUR	3,196,410.39

VI. Unrealised income for the financial year

EUR 3,722,186.42

VII. Net income for the financial year

EUR 7,814,150.09

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Development of fund assets

2022-2023

I. Value of the investment fund at the beginning of the financial year

1. Distribution for the previous year/tax allowance for the previous year
2. Interim dividends
3. Inflow/outflow of funds (net)
 - a) Cash inflow from sale of units
 - b) Cash outflow from redemption of units
4. Income/expense equalisation
5. Net income for the financial year
 - of which unrealised gains
 - of which unrealised losses

EUR		73,416,886.37
EUR		-1,448,256.12
EUR		0.00
EUR		1,098,787.59
EUR	11,941,270.22	
EUR	-10,842,482.63	
EUR		-113,917.20
EUR		7,814,150.09
EUR	525,776.03	
EUR	3,196,410.39	

II. Value of the investment fund at the end of the financial year

EUR **80,767,650.73**

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Appropriation of net income

Calculation of distribution (overall and per unit)

	overall	per unit
I. Available for distribution	EUR 7,146,387.69	9.15
1. Carried forward from the previous year	EUR 3,054,424.02	3.91
2. Realised income for the financial year	EUR 4,091,963.67	5.24
3. Addition from the investment fund	EUR 0.00	0.00
II. Not appropriated for distribution	EUR 3,911,913.33	5.01
1. Allocated to reinvestment	EUR 0.00	0.00
2. Amount carried forward	EUR 3,911,913.33	5.01
III. Total distribution	EUR 3,234,474.36	4.14
1. Interim distributions	EUR 0.00	0.00
2. Final dividend	EUR 3,234,474.36	4.14

Pursuant to § 7 (9) KARBV [Capital Investment Accounting and Valuation Regulations]

Information pursuant to the German Derivatives Regulation (Derivateverordnung)

underlying exposure through derivatives 0.00 EUR

counterparty to derivatives transactions

none

Total amount of securities pledged by third parties under derivatives transactions: 0.00 EUR

Securities holdings as a percentage of fund assets 92.14 %

Derivatives holdings as a percentage of fund assets 0.00 %

The use of the market risk limit for this investment fund was determined using the qualified approach in accordance with the Derivatives Regulation based on a benchmark asset.

Information according to the qualified approach:

Potential risk exposure for market risk

lowest potential risk exposure	1.449	%
highest potential risk exposure	2.277	%
average potential risk exposure	1.932	%

Risk model used pursuant to § 10 of the Derivatives Regulations

Monte Carlo simulation

Parameters used pursuant to § 110 of the Derivatives Regulations

Confidence level = 99%, holding period 10 days

Effective historical observation period 12 months = 250 days

Average amount of leverage achieved during the financial year through derivative transactions 0.00

Composition of benchmark assets

Composition of the benchmark assets (§ 37 (5) of the Derivatives Regulations):

iBxx Euro Corporates Non-Financial Performance Index 10+ Years (QW5Y Index)

Other information

Unit value EUR: 103.38

Outstanding units QTY: 781,274

Information on the asset valuation method

Additional information pursuant to § 16 (1) (2) of the KARBV - Information about the valuation method

Valuation is done by the management company. The management company generally relies on external sources for this purpose.

If no trading prices are available, valuation models are used to determine prices (i.e., derived fair values) that are agreed between the custodian and the management company and are based as much as possible on market parameters. This procedure is subject to a permanent control process. Price information from third parties is checked for plausibility by other price sources, model invoices or by other appropriate procedures.

For assets that are admitted to trading on a stock exchange or on another organised market or that are included in such a market, pursuant to § 27 of the KARBV, the last available tradeable price that guarantees a reliable valuation is used. For assets that are neither admitted for trading on a stock exchange nor on another organised market nor included in such a market or for which no tradeable price is available, market values are used as a basis, pursuant to § 28 KARBV, in conjunction with Section 168 (3) KAGB with regard to § 168 (3) KAGB, which result from a careful assessment using suitable valuation models, taking into account current market conditions are used as a basis.

Underlying fair value may also be determined and communicated by an issuer, counterparty or other third party. If so, such a value is checked for plausibility by the management company or custodian, and this plausibility check is documented. Units in domestic investment funds, EU investment units and foreign investment units are valued at their last determined redemption price or at a current price pursuant to § 27 (1) KARBV. If current values are not available, the value of the shares is determined in accordance with § 28 KARBV; this is indicated in the annual report. Bank deposits are valued at their nominal value plus accrued interest. Fixed-term deposits are valued at market values. Liabilities are recognised at their repayment amount.

The investments shown in this report are valued at tradeable stock exchange or market prices for 92.14% of the fund assets and at derived market values for 0.00% of the fund assets. The remaining 7.86% of the fund assets consist of other assets, other liabilities and cash.

Information on transparency and the total expense ratio

The total expense ratio expresses all costs and payments (excluding transaction costs) borne by the fund over the course of the year in relation to the fund's average net asset value; it is expressed as a percentage.

0.68

The management company does not receive any rebates on fees and expense reimbursements paid from the fund to the custodian or any third parties.

The management company does not grant any so-called follow-up commissions to brokers to a significant extent from the remuneration paid to them by the fund.

Significant other income and other expenditure

Other income
none

0.00

Other expenses
none

0.00

Transaction charges (total of incidental acquisition charges plus selling charges)

53.52

EUR

Information pursuant to Regulation (EU) 2015/2365 on securities financing transactions

During the reporting period, the fund was not invested in any securities financing transactions under Regulation (EU) 2015/2365, which is why no disclosure of this type of transaction has been made below.

Other information required for understanding the report
Explanation of net change in unrealised gains and losses:

The net change in unrealised gains and losses is determined by comparing the valuations of the assets reflected in unit prices with the respective historical acquisition costs in each fiscal year, the amount of positive differences in total unrealised gains, the amount of negative differences in total unrealised losses, and the net charges, and by comparing total items at the end of the financial year with the total items at the beginning of the financial year.

Information on staff remuneration

Lupus alpha Group remuneration policy

Management company's remuneration system

Lupus alpha Investment GmbH is a subsidiary of Lupus alpha Asset Management AG. Lupus alpha (which means "alpha wolf") is an owner-operated, independent asset management group that offers specialist investment products to institutional and private investors. We focus on a few, attractive asset classes that require special expertise and in which we can achieve sustainable added value for our customers. We focus on European small caps and on offering alternative solutions. As a special provider, we routinely offer institutional investors access to new sources of alpha through specialised, innovative strategies and to ways of broadening and deepening the overall diversification of their portfolios.

Lupus alpha's partnership-based corporate structure creates the conditions for the highest possible level of staff continuity at management level. By acting as a specialist provider and by focusing its own investments on liquid investments, we ensure control over the usual risks of a medium-sized asset manager.

Performance-related and entrepreneurial-oriented remuneration for employees is a central component in the design of Lupus alpha's compensation packages. Through comprehensive compensation packages, management intends to support medium- to long-term corporate goals set within the strategy-finding process.

All requirements are met from the Ordinance on Supervisory Requirements for Institutional Compensation (InstitutsVergV), Articles 13 and 22 of Directive 2011/61/EU of the European Parliament and Council of 8 June 2011 on Alternative Investment Fund Managers (AIFM Directive), the guidelines for sound compensation policies based on the AIFMD (the German translation of the ESMA guidelines) and Annex II of the remuneration policy of the AIFM directive.

Results of the annual review of the remuneration policy

Lupus alpha regularly reviews the appropriateness of the remuneration concept with the involvement of compliance and makes adjustments if necessary.

The remuneration policy and its application are also subject to review by the internal audit department and monitoring by the Supervisory Board.

There were no complaints.

Significant changes to the established remuneration policy

There were no significant changes to the remuneration system in the reporting period.

Total amount of employee compensation paid to the management company in 2022: EUR 6.6 million,

of which fixed remuneration 59.24%

of which variable remuneration 40.76%

Remuneration paid directly out of the fund in EUR million 0.00

Total employees incl. management 90

Total amount of remuneration paid to risk takers in the past financial year by the management company: EUR 2.33 million,

of which indirectly via cost allocation by the parent company to the shareholders in EUR million 2.33

Information on non-financial performance indicators.

Conventional products under Article 6 of Directive (EU) 2019/2088 (Disclosure Regulation)

The most important principal adverse impacts (PAIs) on sustainability factors are taken into account in the investment process at the company level.

As there is no binding requirement to consider PAIs on the fund level, this has not been done.

This fund has not been classified as a product that promotes environmental or social characteristics as defined by the Disclosure Regulation (Article 8), nor as a product with the objective of sustainable investment (Article 9).

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

Lupus alpha CLO High Quality Invest annual report

Comparative table covering the last three financial years

Financial year		Fund assets at the end of the financial year	Unit value
2023	EUR	80,767,650.73	103.38
2022	EUR	73,416,886.37	95.10
2021	EUR	50,589,469.77	103.33

Frankfurt, 03 January 2024,

Lupus alpha Investment GmbH

Michael Frick
Managing Director

Dr. Götz Albert
Managing Director

Report of the independent auditor

To Lupus alpha Investment GmbH, Frankfurt am Main

Audit opinion

We have audited the annual report of the Lupus alpha Sustainable Convertible Bonds fund, consisting of the activity report for the financial year from 1 December 2022 to 30 November 2023, the statement of assets and the statement of net assets as of 30 November 2023, the profit and loss account, the statement of appropriation of income, the statement of changes in fund assets for the financial year from 1 December 2022 to 30 November 2023, as well as the comparative three-year overview, the statement of transactions completed during the reporting period not included in the statement of net assets, and the notes.

In our opinion, based on our audit, the accompanying annual report complies, in all material respects, with the provisions of the German Investment Code (Kapitalanlagegesetzbuch – KAGB) and the relevant European regulations, and presents a comprehensive and true picture of the position and developments of the investment fund in compliance with these provisions.

Basis for the audit opinion

We conducted our audit of the annual report in accordance with § 102 KAGB, considering German generally accepted auditing standards determined by the *Institut der Wirtschaftsprüfer* [Institute of Public Auditors in Germany] (IDW). Our responsibility under these provisions and standards is described in more detail in the section “Responsibility of the auditor for the audit of the annual report” of our report. We are independent of Lupus alpha Investment GmbH in accordance with German commercial law and the professional rules and regulations, and have fulfilled our other German professional duties in accordance with these requirements. We believe that the audit evidence we have obtained is suitable and sufficient to serve as a basis for our audit opinion of the annual report.

Responsibility of the legal representatives for the annual report

The legal representatives of Lupus alpha Investment GmbH are responsible for preparing the annual report, which is compliant in all regards with the provisions of the KAGB and the relevant European regulations, as well as for ensuring that the annual report presents a comprehensive and true picture of the position and developments of the investment fund, in compliance with these provisions. The legal representatives are also responsible for the internal controls they have deemed necessary under these provisions in order to ensure that the annual report is free of material misstatement, whether due to fraud or error.

In preparing the annual report, the legal representatives are responsible for including in the report such events, decisions and factors that may materially affect the future growth of the investment fund. This means that in preparing the annual report, the legal representatives must assess Lupus alpha Investment GmbH's operation of the investment fund as a going concern and are responsible for disclosing facts concerning the continuation of the investment fund, if applicable.

Responsibility of the auditor for the audit of the annual report

Our aim is to obtain reasonable assurance that the annual report as a whole is free of material misstatement, whether due to fraud or error, and to issue a report containing our audit opinion on the annual report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted pursuant to § 102 KAGB, in accordance with German Generally Accepted Standards for Financial Statement Audits issued by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements may be due to fraud or error and are considered material when it may reasonably be expected that these, individually or as a whole, could influence economic decisions of users made on the basis of this annual report.

During the audit, we exercise professional judgement and adopt a critical stance.

In addition:

- We identify and assess the risk of material misstatements in the annual report due to fraud or error, plan and carry out audit procedures in response to these risks, and obtain sufficient and appropriate audit evidence to provide a basis for our audit opinion. The risk that material misstatements will not be detected is greater for breaches than for inaccuracies, as breaches may involve fraudulent collusion, falsification, deliberate omissions, misleading statements or the bypassing of internal controls.
- We obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal controls.
- We assess the appropriateness of the account methods used by the legal representatives of Lupus alpha Investment GmbH in preparing the annual report and the justifiability of the estimated values presented by the legal representatives and related information.
- On the basis of the audit evidence obtained, we reach a conclusion as to whether a material uncertainty exists in connection with events or circumstances that could raise serious doubt about Lupus alpha Investment GmbH's operation of the investment fund as a going concern. If we conclude that a material uncertainty exists, we are obliged to draw attention in our report to the relevant information in the annual report or, if such information is inadequate, to amend our audit opinion. We draw our conclusion on the basis of the audit evidence obtained up until the date of our report. However, future events or circumstances may result in Lupus alpha Investment GmbH's discontinuation of the investment fund.
- We assess the overall presentation, structure and content of the annual report, including figures and whether the annual report presents the underlying transactions and events in such a way that the annual report, in compliance with KAGB and the relevant European regulations, presents a picture of the fund's actual circumstances and performances.

Among other things, we consult with those responsible for monitoring the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

Frankfurt am Main, 07 March 2024

KPMG AG Wirtschaftsprüfungsgesellschaft

Kuppler
Auditors

Neuf
Auditors

Information about the management company, custodian and auditor

Lupus alpha Investment GmbH
Speicherstraße, 49-51
D-60327 Frankfurt am Main, Germany

Telephone: 0049 69 365058-70 00
Fax: 0049 69 365058-80 00

Supervisory Board

Chairman
Dr. Oleg De Lousanoff, lawyer and notary
Vice Chairman
Dietrich Twietmeyer, Dipl.Agr.Ing.
Dr. Helmut Wölfel, Legal counsel

Mandates of the Executive Board

Michael Frick
Management Board of Directors of Lupus alpha Asset Management AG, Frankfurt am Main, Germany
Ralf Lochmüller
Spokesman of the Board of Directors of Lupus alpha Asset Management AG, Frankfurt am Main
Shareholder of Lupus alpha Holding GmbH, Frankfurt am Main, Germany
Dr. Götz Albert
Management Board of Directors of Lupus alpha Asset Management AG, Frankfurt am Main, Germany

Information about the management company, custodian and auditor (Part II)

Custodian

The Bank of New York Mellon SA/NV Asset Servicing,
Frankfurt am Main branch
Friedrich-Ebert-Anlage 49
60327 Frankfurt am Main

Liabe equity capital as of 31 December
2022
EUR 3.360 bn

Capital as of 31 December 2022
subscribed and paid in: EUR 2.560 million

Shareholder
Lupus alpha Asset Management AG (100%)

Executive Board

Ralf Lochmüller
Michael Frick
Dr. Götz Albert

Auditor of the fund and the management company

KPMG AG Wirtschaftsprüfungsgesellschaft
THE SQUIRE
Am Flughafen
D-60549 Frankfurt am Main, Germany

The above information is updated in the annual and semi-annual reports.

Other investment funds managed by the management company:

As of 30 November 2023, 9 mutual funds and 10 funds were managed by the management company.