



Dear Shareholders,

Vltava Fund's NAV grew by 21.3% in 2013, and assets under management reached 1.5 billion CZK as of 31 December 2013.

Our largest equity positions at the start of 2014 were WH Smith, Berkshire Hathaway, Walmart, Teva Pharmaceutical and Catlin Group. Our portfolio is concentrated into investments which we consider to provide the best combination of returns and risk. Sufficiently attractive investment opportunities are quite rare, and therefore we endeavour to utilise these to their best advantage. Our 10 largest positions make up approximately 70% of our portfolio.

In the current market, the Fund's portfolio is priced at about 11 times the earnings of the past 12 months. This means that for last year the net profits of our companies amounted to 9% of their market capitalisation (i.e. that is their earnings yield, which is the inverse of P/E). In our opinion, that is a high yield and does not correspond to the quality and prospects of these companies. This number particularly stands out in comparison to interest rates that linger close to zero. By our estimates, the fundamental valuation of our shares stands about one-fifth higher than their current prices. A fundamental valuation is not something static, however, but rather it is gradually developing. In the case of our portfolio, it is quite solidly growing. At the end of this year, it will be on the order of one-third higher than today's prices. This should create sufficiently strong upward pressure on the prices of our stocks to push them higher.

In the past five years, which means from the global financial crisis and at the same time

from the change in our investment strategy, Vltava Fund's NAV has grown to nearly four times where it had been. More precisely, it has risen by 288%. While it is true that the past five years have been very good for equity investments, our results are nevertheless exceptional by worldwide standards. Our Fund has probably achieved the best results of all stock funds in the world during that period. (If you happen to find another fund which has had better results in the past five years than ours, please let me know so that we do not by chance brag of a supremacy which is not ours. To date, we have been unable to find such a fund.)

To quadruple your money and on top of that be the best in the world, it is necessary also to have a little luck. It is very unlikely that something like this will happen to us again. Be that as it may, we believe that we will be among the best funds for a long time to come and that our returns will be good. Your expectations, though, should be realistic and should not be based on returns from the past five years.

In the next part of the Annual Report, you will find quarterly letters to stockholders from the past year. Taken together, they present a picture of our investments and opinions from last year.

We thank you for your support and goodwill through the years gone by and we look



forward to our co-operation in the years to come.

Daniel Gladiš, February 2014

For more information

Visit www.vltavafund.com

Write us investor@vltavafund.com

Follow www.facebook.com/vltavafund

Disclaimer :

Our estimates and projections concerning the future can and probably will be incorrect. You should not rely upon them solely but use also your own best judgment in making your investment decisions.

This document expresses the opinion of the author as at the time it was written and is intended exclusively for educational purposes.

The information contained in this letter to shareholders may include statements that, to the extent they are not recitations of historical fact, constitute "forward-looking statements" within the meaning of applicable foreign securities legislation. Forward-looking statements may include financial and other projections, as well as statements regarding our future plans, objectives or financial performance, or the estimates underlying any of the foregoing. Any such forward-looking statements are based on assumptions and analyses made by the fund in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the given circumstances. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks, assumptions and uncertainties. In evaluating forward-looking statements, readers should specifically consider the various factors which could cause actual events or results to differ materially from those contained in such forward-looking statements. Unless otherwise required by applicable securities laws, we do not intend, nor do we undertake any obligation, to update or revise any forward-looking statements to reflect subsequent information, events, results or circumstances or otherwise.

This letter to shareholders does not constitute or form part of, and should not be construed as, any offer for sale or subscription of, or any invitation to offer to buy or subscribe for, the securities of the fund.

Before subscribing, prospective investors are urged to seek independent professional advice as regards both Maltese and any foreign legislation applicable to the acquisition, holding and repurchase of shares in the fund as well as payments to the shareholders.

The shares of the fund have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act") or under any state securities law. The fund is not a registered investment company under the United States Investment Company Act of 1940 (the "1940 Act").

The shares in the fund shall not be offered to investors in the Czech Republic on the basis of a public offer (veřejná nabídka) as defined in Section 34 (1) of Act No. 256/2004 Coll., on Capital Market Undertakings.

The Fund is registered in the Czech National Bank's list in the category Foreign AIFs authorised to offer only to qualified investors (without EuSF and EuVECA) managed by AIFM.

Historical performance over any particular period will not necessarily be indicative of the results that may be expected in future periods.

Returns for the individual investments are not audited, are stated in approximate amounts, and may include dividends and options.