

**Annual report including audited financial statements
as at 31st August 2016**

SIFTER FUND

Variable Capital Investment Company
Luxembourg

R.C.S. Luxembourg B 93 438

No subscription can be received on the basis of this financial report. Subscriptions are only valid if made on the basis of the current prospectus and the Key Investor Information Document ("KIID"), supplemented by the latest annual report and the most recent semi-annual report, if published thereafter.

SIFTER FUND

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SIFTER FUND

Organisation

Registered office

11, rue Aldringen
L-1118 LUXEMBOURG

Board of Directors

Chairman

Hannes G. KULVIK

Independent Director
Eaton Square 72
SW1W 9AS LONDON

Directors

Luc CAYTAN

Independent Director
1, rue des Foyers,
L-1537 LUXEMBOURG

Pauli KULVIK

Independent Director
Fredrikinkatu 48 A, 11th floor
00100 HELSINKI

Lidia PALUMBO

Chief Executive Officer
PHARUS MANAGEMENT LUX S.A.
16, avenue de la Gare
L-1610 LUXEMBOURG

Management Company

PHARUS MANAGEMENT LUX S.A.
16, avenue de la Gare
L-1610 LUXEMBOURG

Board of Directors of the Management Company

Chairman

Davide BERRA

President
PHARUS MANAGEMENT S.A.
Via Pollini, 7
CH-6850 MENDRISIO

SIFTER FUND

Organisation (continued)

Directors

Davide PASQUALI	Vice-President PHARUS MANAGEMENT S.A. Via Pollini, 7 CH-6850 MENDRISIO
Lidia PALUMBO	Chief Executive Officer PHARUS MANAGEMENT LUX S.A. 16, avenue de la Gare L-1610 LUXEMBOURG (since 20th June 2016)
Sante JANNONI	Managing Director TMF COMPLIANCE (LUXEMBOURG) S.A. 11, rue Béatrix de Bourbon L-1225 LUXEMBOURG (until 20th June 2016)

Conducting Officers of the Management Company

Lidia PALUMBO
Martin RAUSCH (since 20th June 2016)
Françoise GOZZO (since 20th June 2016)
Denis GUOLO
Davide PASQUALI (until 20th June 2016)

Domiciliary, registrar, transfer and administrative agent

KREDIETRUST LUXEMBOURG S.A.
11, rue Aldringen
L-2960 LUXEMBOURG

Registrar, transfer and administrative agent activities are delegated by the Management Company.

Delegated functions of administrative, registrar and transfer agent

EUROPEAN FUND ADMINISTRATION
Société Anonyme
2, rue d'Alsace
L-1122 LUXEMBOURG

Administrative, registrar and transfer agent activities are delegated by KREDIETRUST LUXEMBOURG S.A..

Depositary and paying agent

KBL EUROPEAN PRIVATE BANKERS S.A.
43, boulevard Royal
L-2955 LUXEMBOURG

SIFTER FUND

Organisation (continued)

Investment Manager

PHARUS MANAGEMENT S.A.
Via Pollini, 7
CH-6850 MENDRISIO
(until 6th September 2015)

AALTO INVEST UK Ltd
Mutual House
70 Conduit Street
W1S 2GF LONDON
(since 7th September 2015)

Independent auditor

ERNST & YOUNG
Société anonyme
35E, avenue John F. Kennedy
L-1855 LUXEMBOURG

Swiss representative

OLIGO SWISS FUND SERVICES S.A.
Av. Villamont 17
CH-1005 LAUSANNE

Paying agent in Switzerland

BANQUE CANTONALE DE GENÈVE
Case Postale 2251
CH-1211 GENEVE 2

SIFTER FUND

General information

SIFTER FUND (hereinafter the "Fund") is a variable capital investment company constituted on 21st May 2003 for an unlimited period according to the Part I of the amended law of 17th December 2010 relating to Undertakings for Collective Investment, in accordance with the legislation of the Grand Duchy of Luxembourg. The Fund qualifies as an Undertaking for Collective Investment in Transferable Securities under the Council Directive 2009/65/EC, as amended. The Directive 2014/91/EU of the European Parliament and of the Council of 23rd July 2014 amending the Directive 2009/65/EC had been transposed by the law of 10th May 2016 coming into force on 1st June 2016 and amending the amended law of 17th December 2010.

Its Articles of Association were filed with the "*Registre de Commerce et des Sociétés de Luxembourg*" and published in the "*Mémorial, Recueil des Sociétés et Associations*" on 10th June 2003. As from 1st June 2016, publications are made in the "Recueil électronique des sociétés et associations ("RESA")" through the website of "Registre de Commerce et des Sociétés" of Luxembourg.

The objective of the Fund is to offer its shareholders the possibility of investing in an investment vehicle oriented towards the growth of capital through investments in securities and money market instruments.

At the date of the report, one Sub-Fund is active:

- SIFTER FUND - Global

in EUR

By circular resolution dated as at 24th February 2016, the Board of Directors has decided to merge the Sub-Fund SIFTER FUND - Dividend Income with the Sub-Fund SIFTER FUND - Global :

Merging Sub-Fund/ Share Classes	Ratio	Absorbing Sub-Fund/Share Classes
R-Class	0.55996974	R-Class
PI-Class	0.56526564	PI-Class

The merger day was 1st April 2016.

Performance fees of the merging Sub-Fund were crystallized on the merger date and paid thereafter.

Different Classes of Shares are offered to the shareholders, R-Class, I-Class and PI-Class. I-Class and PI-Class are dedicated to institutional shareholders and benefit from a reduced "*taxe d'abonnement*" in Luxembourg.

The financial year of the Fund begins on 1st September and ends on 31st August of each year.

The accounts of the Fund are expressed in EUR.

The prospectus, the Key Investor Information Document ("KIID"), the unaudited semi-annual reports, the audited annual reports and copies of the Fund's Articles of Association are available at the registered office of the Fund.

The Net Asset Value per share of each Class of Shares of the Sub-Fund, and their issue, redemption and conversion prices are available at the registered office of the Fund.

SIFTER FUND

General information (continued)

Additional information for qualified investors in Switzerland:

The State of the origin of the Fund is Luxembourg.

The investment fund may only be distributed in Switzerland to qualified investors within the meaning of Art. 10 Para. 3, 3 bis and 3ter “Collective Investment Schemes Act”.

The representative in Switzerland is OLIGO SWISS FUND SERVICES S.A., Av. Villamont 17, CH-1005 Lausanne, Switzerland.

The paying agent in Switzerland is BANQUE CANTONALE DE GENÈVE Case Postale 2251, CH-1211 Genève 2, Switzerland.

The relevant documents as defined in Art. 13a “Collective Investment Schemes Ordinance” as well as the annual and, if applicable, the semi-annual reports may be obtained free of charge from the representative in Switzerland.

SIFTER FUND

Report on activities of the Board of Directors

The Fund had at the beginning of its 12th fiscal year (1 September 2015) two Sub-Funds, "SIFTER FUND - Global" and "SIFTER FUND - Dividend Income". During the year, the latter was merged with the former.

SIFTER FUND - Dividend Income's returns were satisfactory but its strategy did not sufficiently differentiate itself from the strategy of SIFTER FUND - Global. Investors achieved most of the same benefits by investing in SIFTER FUND - Global. Consequently, the assets under management of Dividend Income remained at a level that did not meet the requirements of profitable operation. Nearly all of the investors in SIFTER FUND - Dividend Income transferred their Dividend Income investments into SIFTER FUND - Global.

Total assets under management at the end of August 2016 was EUR 82.9 million (2015: EUR 81.4 million).

SIFTER FUND - Global invests in solid listed companies globally. The Sifter strategy sifts through the global universe of companies listed on eligible stock exchanges by means of harsh Sifter elimination criteria, then dives deep into understanding the underlying performance of those who have survived the eliminations, their future outlook and potential, and finally invests only when the company's price in the daily equity markets trades lower than the perceived long term value of the company as a whole.

Exits are made from the less-yielding end of the portfolio, when a company's price in the daily trading becomes materially overvalued relative to its assessed long term value, or the business case has fallen out of scope of eligible Sifter investments. In accordance with the Fund's basic policies, all revenues from the portfolio companies have been re-invested, and SIFTER FUND - Global has remained fully invested.

The Sifter strategy increases the overall probability of success while diversifies risk and curtails volatility. The fund is designed to maintain accrued wealth and its long term value growth without short-term speculative positions or trading.

The value growth in Fiscal Year 2015/16 of SIFTER FUND - Global was 8.4% for both R- and I-Class, and 10.0% for PI-Class.

Luxembourg, 28th October 2016

The Board of Directors

Note: The information in this report represents historical data and is not an indication of future results.

Independent auditor's report

To the Shareholders of
SIFTER FUND
Luxembourg

We have audited the accompanying financial statements of SIFTER FUND and of each of its Sub-Funds, which comprise the statement of net assets and the statement of investments and other net assets as at 31st August 2016 and the statement of operations and other changes in net assets for the year then ended, and a summary of significant accounting policies and other notes to the financial statements.

Responsibility of the Board of Directors of the SICAV for the financial statements

The Board of Directors of the SICAV is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements and for such internal control as the Board of Directors of the SICAV determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and 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 judgement of the "réviseur d'entreprises agréé", 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 "réviseur d'entreprises agréé" considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the SICAV, as well as evaluating the overall presentation of the financial statements.

Independent auditor's report (continued)

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 give a true and fair view of the financial position of SIFTER FUND and of each of its Sub-Funds as of 31st August 2016, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Other matter

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

Ernst & Young
Société anonyme
Cabinet de révision agréé



Sylvie Testa

Luxembourg, 14th November 2016

SIFTER FUND

Combined statement of net assets (in EUR)

as at 31st August 2016

Assets

Securities portfolio at market value	82,292,950.33
Cash at banks	748,545.82
Receivable on sales of securities	313,164.23
Receivable on treasury transactions	180,934.58
Income receivable on portfolio	170,590.15
Interest receivable on bank accounts	988.51
Prepaid expenses	8,206.36
	<hr/>
Total assets	83,715,379.98

Liabilities

Payable on purchases of securities	418,901.39
Payable on treasury transactions	181,125.31
Expenses payable	258,756.40
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Total liabilities	858,783.10
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Net assets at the end of the year	82,856,596.88

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

SIFTER FUND

Combined statement of operations and other changes in net assets (in EUR)

from 1st September 2015 to 31st August 2016

Income

Dividends, net	1,603,060.15
Interest on bank accounts	1,075.10
Commissions received	6,013.96
Other income	31,789.22
Total income	1,641,938.43

Expenses

Management fees	918,433.71
Performance fees	242,368.78
Depository fees	43,107.80
Banking charges and other fees	16,015.34
Transaction fees	41,160.84
Central administration costs	120,611.20
Professional fees	33,861.78
Other administration costs	46,684.13
Subscription duty ("taxe d'abonnement")	13,252.87
Interest paid on bank overdrafts	681.07
Other expenses	98,183.45
Total expenses	1,574,360.97

Net investment income	67,577.46
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Net realised gain/(loss)

- on securities portfolio	5,943,698.76
- on forward foreign exchange contracts	7,925.09
- on foreign exchange	-58,546.69
Realised result	5,960,654.62

Net variation of the unrealised gain/(loss)

- on securities portfolio	1,561,171.38
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Result of operations	7,521,826.00
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Subscriptions	11,919,369.70
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Redemptions	-17,960,208.87
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Total changes in net assets	1,480,986.83
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Total net assets at the beginning of the year	81,375,610.05
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Total net assets at the end of the year	82,856,596.88
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The accompanying notes are an integral part of these financial statements.

SIFTER FUND - Global

Statement of net assets (in EUR)

as at 31st August 2016

Assets

Securities portfolio at market value	82,292,950.33
Cash at banks	748,545.82
Receivable on sales of securities	313,164.23
Receivable on treasury transactions	180,934.58
Income receivable on portfolio	170,590.15
Interest receivable on bank accounts	988.51
Prepaid expenses	8,206.36
Total assets	83,715,379.98

Liabilities

Payable on purchases of securities	418,901.39
Payable on treasury transactions	181,125.31
Expenses payable	258,756.40
Total liabilities	858,783.10
Net assets at the end of the year	82,856,596.88

R-Class outstanding	42,926.1984
Net asset value per R-Class	287.32
I-Class outstanding	33,587.9853
Net asset value per I-Class	289.15
PI-Class outstanding	210,508.8799
Net asset value per PI-Class	288.88

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

SIFTER FUND - Global

Statement of operations and other changes in net assets (in EUR)

from 1st September 2015 to 31st August 2016

Income

Dividends, net	1,506,553.62
Interest on bank accounts	1,075.10
Commissions received	4,175.23
Other income	31,789.22
Total income	1,543,593.17

Expenses

Management fees	860,030.98
Performance fees	242,368.78
Depository fees	40,873.82
Banking charges and other fees	13,818.90
Transaction fees	36,400.24
Central administration costs	93,455.62
Professional fees	32,301.42
Other administration costs	38,503.71
Subscription duty ("taxe d'abonnement")	12,651.84
Interest paid on bank overdrafts	527.84
Other expenses	93,389.69
Total expenses	1,464,322.84

Net investment income	79,270.33
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Net realised gain/(loss)

- on securities portfolio	6,397,333.95
- on forward foreign exchange contracts	32.30
- on foreign exchange	-61,675.61
Realised result	6,414,960.97

Net variation of the unrealised gain/(loss)

- on securities portfolio	821,338.94
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Result of operations	7,236,299.91
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Subscriptions	11,919,369.70
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Redemptions	-8,658,968.40
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Total changes in net assets	10,496,701.21
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Total net assets at the beginning of the year	72,359,895.67
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Total net assets at the end of the year	82,856,596.88
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The accompanying notes are an integral part of these financial statements.

SIFTER FUND - Global

Statistical information (in EUR)

as at 31st August 2016

Total net assets

- as at 31.08.2016	82,856,596.88
- as at 31.08.2015	72,359,895.67
- as at 31.08.2014	66,977,358.87

Number of R-Class

- outstanding at the beginning of the year	44,246.3433
- issued	3,762.2393
- redeemed	-5,082.3842
- outstanding at the end of the year	42,926.1984

Net asset value per R-Class

- as at 31.08.2016	287.32
- as at 31.08.2015	264.95
- as at 31.08.2014	239.63

Performance of R-Class (in %)

- as at 31.08.2016	8.44
- as at 31.08.2015	10.57
- as at 31.08.2014	20.73

TER per R-Class (in %)

- as at 31.08.2016	2.93
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Performance Fee ratio (in % of the average net assets)

- as at 31.08.2016	1.07
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Number of I-Class

- outstanding at the beginning of the year	45,510.9879
- issued	5,295.8920
- redeemed	-17,218.8946
- outstanding at the end of the year	33,587.9853

Net asset value per I-Class

- as at 31.08.2016	289.15
- as at 31.08.2015	266.64
- as at 31.08.2014	241.05

Performance of I-Class (in %)

- as at 31.08.2016	8.44
- as at 31.08.2015	10.62
- as at 31.08.2014	20.77

TER per I-Class (in %)

- as at 31.08.2016	2.85
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Performance Fee ratio (in % of the average net assets)

- as at 31.08.2016	1.03
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Annual returns were calculated for the last 3 consecutive financial years. For Sub-Funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of current or future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the Company.

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

SIFTER FUND - Global

Statistical information (in EUR) (continued)

as at 31st August 2016

Number of PI-Class

- outstanding at the beginning of the year	184,690.0626
- issued	35,208.5761
- redeemed	-9,389.7588
- outstanding at the end of the year	210,508.8799

Net asset value per PI-Class

- as at 31.08.2016	288.88
- as at 31.08.2015	262.61
- as at 31.08.2014	-

Performance of PI-Class (in %)

- as at 31.08.2016	10.00
- as at 31.08.2015	-
- as at 31.08.2014	-

TER per PI-Class (in %)

- as at 31.08.2016	1.42
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Performance Fee ratio (in % of the average net assets)

- as at 31.08.2016	0.00
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Annual returns were calculated for the last 3 consecutive financial years. For Sub-Funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of current or future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the Company.

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

SIFTER FUND - Global

Statement of investments and other net assets (in EUR)

as at 31st August 2016

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<u>Investments in securities</u>					
<u>Transferable securities admitted to an official stock exchange listing</u>					
Shares					
AUD	734,966	Telstra Corp Ltd	2,053,016.07	2,604,145.50	3.14
CHF	9,109	Roche Holding Ltd Pref	1,170,450.21	2,020,808.10	2.44
EUR	28,698	Air Liquide SA	2,713,295.63	2,831,057.70	3.42
EUR	32,048	Fresenius Medical Care AG & Co KGaA	2,436,572.77	2,568,967.68	3.10
EUR	99,681	Marr SpA	1,057,523.93	1,750,398.36	2.11
EUR	37,510	SAFRAN SA	2,509,750.60	2,349,626.40	2.84
			8,717,142.93	9,500,050.14	11.47
GBP	181,983	Bodycote Plc	785,467.88	1,268,530.40	1.53
GBP	421,000	Regus Plc	1,627,545.87	1,494,753.49	1.80
GBP	218,117	Rolls-Royce Holdings PLC	1,593,334.86	1,966,152.65	2.37
			4,006,348.61	4,729,436.54	5.70
JPY	48,200	AIN HOLDINGS INC	2,845,398.36	2,468,456.26	2.98
JPY	5,850	SMC Corp	1,330,753.13	1,487,255.93	1.80
			4,176,151.49	3,955,712.19	4.78
USD	14,009	3M Co	1,639,354.67	2,262,919.84	2.73
USD	2,078	Alphabet Inc A	1,021,233.51	1,475,552.35	1.78
USD	57,000	B/E Aerospace Inc	2,388,820.95	2,569,791.53	3.10
USD	178,722	Cisco Systems Inc	2,910,665.80	5,054,375.14	6.10
USD	58,507	Hexcel Corp	2,290,406.35	2,389,068.62	2.88
USD	140,017	Intel Corp	2,521,339.55	4,482,050.57	5.41
USD	19,167	Johnson & Johnson	1,846,780.15	2,053,245.00	2.48
USD	21,830	Laboratory Corp of America Hgs	2,300,029.57	2,693,981.53	3.25
USD	47,255	Microsoft Corp	1,193,445.87	2,452,895.72	2.96
USD	58,212	Mylan N.V.	2,280,907.67	2,231,394.75	2.69
USD	26,047	Norfolk Southern Corp	1,517,532.00	2,204,039.80	2.66
USD	134,272	Oracle Corp	3,434,350.24	4,973,572.13	6.00
USD	26,688	Raytheon Co	1,411,554.21	3,358,583.99	4.05
USD	36,937	Stryker Corp	1,418,247.75	3,839,924.48	4.64
USD	33,488	Sysco Corp	932,340.79	1,559,320.19	1.88
USD	126,284	Taiwan Semiconduct Mfg Co Ltd ADR repr 5 Shares	2,494,151.76	3,240,751.47	3.91
USD	62,301	Teva Pharma Ind Ltd ADR repr 1 Share	2,102,038.98	2,824,423.73	3.41
USD	35,028	Texas Instruments Inc	1,754,480.15	2,176,902.65	2.63
USD	18,894	United Technologies Corp	1,032,609.56	1,818,669.27	2.20
USD	40,276	Zimmer Biomet Hgs Inc	2,521,141.96	4,690,109.05	5.66
			39,011,431.49	58,351,571.81	70.42
ZAR	152,311	MTN Group Ltd	1,871,316.68	1,131,226.05	1.37
Total investments in securities			61,005,857.48	82,292,950.33	99.32
Cash at banks				748,545.82	0.90
Other net assets/(liabilities)				-184,899.27	-0.22
Total				82,856,596.88	100.00

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

SIFTER FUND - Global

Industrial and geographical classification of investments

as at 31st August 2016

Industrial classification

(in percentage of net assets)

Capital goods	19.60 %
Pharmaceuticals and biotechnology	14.12 %
Health care equipment and services	13.55 %
Software and services	12.54 %
Semiconductors and semiconductor equipment	11.95 %
Food retailing, drugstores and pharmacies	6.97 %
Technology hardware and equipment	6.10 %
Telecommunication services	4.51 %
Raw materials	3.42 %
Transportation	2.66 %
Automobiles and components	2.37 %
Investment companies	1.53 %
Total	<u>99.32 %</u>

Geographical classification

(by domicile of the issuer)

(in percentage of net assets)

United States of America	60.41 %
France	6.26 %
Japan	4.78 %
Taiwan	3.91 %
United Kingdom	3.90 %
Israel	3.41 %
Australia	3.14 %
Germany	3.10 %
The Netherlands	2.69 %
Switzerland	2.44 %
Italy	2.11 %
Jersey	1.80 %
South Africa	1.37 %
Total	<u>99.32 %</u>

SIFTER FUND - Dividend Income

Statement of operations and other changes in net assets (in EUR)

from 1st September 2015 to 1st April 2016

Income

Dividends, net	96,506.53
Commissions received	1,838.73
Total income	98,345.26

Expenses

Management fees	58,402.73
Depositary fees	2,233.98
Banking charges and other fees	2,196.44
Transaction fees	4,760.60
Central administration costs	27,155.58
Professional fees	1,560.36
Other administration costs	8,180.42
Subscription duty ("taxe d'abonnement")	601.03
Interest paid on bank overdrafts	153.23
Other expenses	4,793.76
Total expenses	110,038.13

Net investment loss	-11,692.87
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Net realised gain/(loss)

- on securities portfolio	-453,635.19
- on forward foreign exchange contracts	7,892.79
- on foreign exchange	3,128.92
Realised result	-454,306.35

Net variation of the unrealised gain/(loss)

- on securities portfolio	739,832.44
Result of operations	285,526.09

Subscriptions	-
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Redemptions	-9,301,240.47
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Total changes in net assets	-9,015,714.38
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Total net assets at the beginning of the period	9,015,714.38
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Total net assets at the end of the period	0.00
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The accompanying notes are an integral part of these financial statements.

SIFTER FUND - Dividend Income

Statistical information (in EUR)

as at 31st August 2016

Total net assets

- as at 31.08.2016	-
- as at 31.08.2015	9,015,714.38

Number of R-Class

- outstanding at the beginning of the period	6,626.6000
- issued	0.0000
- redeemed	-6,626.6000
- outstanding at the end of the period	0.0000

Net asset value per R-Class

- as at 31.08.2016	-
- as at 31.08.2015	146.54

Number of I-Class

- outstanding at the beginning of the period	13,698.5499
- issued	0.0000
- redeemed	-13,698.5499
- outstanding at the end of the period	0.0000

Net asset value per I-Class

- as at 31.08.2016	-
- as at 31.08.2015	146.58

Number of PI-Class

- outstanding at the beginning of the period	41,097.6226
- issued	0.0000
- redeemed	-41,097.6226
- outstanding at the end of the period	0.0000

Net asset value per PI-Class

- as at 31.08.2016	-
- as at 31.08.2015	146.89

Annual returns were calculated for the last 3 consecutive financial years. For Sub-Funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of current or future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the Company.

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

Notes to the financial statements

as at 31st August 2016

Note 1 - Significant accounting policies

a) Presentation of the financial statements

The financial statements of the Fund are established in accordance with the Luxembourg legal and regulatory requirements concerning Undertakings for Collective Investment.

b) Valuation of assets

- 1) The value of cash in hand or on deposit, securities, stocks and shares and bills payable at sight and accounts receivable, prepaid expenses, dividends and interests declared or due but not as yet collected, are made up of the nominal value of such assets, unless it appears unlikely that such value shall be collected; in which case the value shall be determined by deducting such amount which the Fund may deem necessary in view of reflecting the true value of such assets.
- 2) The value of any transferable security and/or financial derivative instruments which are officially traded or listed on a stock exchange or any other regulated, regularly operating, recognised market which is open to the public are in principle determined as being their last known price in Luxembourg on the valuation date, and, where the security or financial derivative instrument is traded on several different markets, by taking the security's or financial derivative instrument's latest known price on its main market; unless such price is not representative.
- 3) Inasmuch as transferable securities in the portfolio on the Valuation Day are neither officially listed nor dealt on a regulated, regularly operating, recognised market, or in the case where, for securities officially listed or dealt on a stock exchange or another regulated market, the price as determined pursuant to sub-paragraphs above is not representative of the fair value of those securities, the valuation is made on the basis of their likely value of realisation estimated with due care and in good faith.
- 4) Where, as a result of special circumstances, a valuation on the basis of the aforesaid rules becomes impracticable or inaccurate, other generally accepted and verifiable valuation criteria are applied in order to obtain an equitable valuation and the Board of Directors may adjust the value of any investment or permit some other method of valuation to be used for the assets of the Fund if it considers that the circumstances justify that such adjustment or other method of valuation should be adopted to reflect more fairly the value of such investments.

c) Acquisition cost of securities in the portfolio

The acquisition cost of the securities held by each Sub-Fund that are denominated in currencies other than the reference currency of the Sub-Fund is converted into this currency at the exchange rate prevailing on the date of purchase.

d) Net realised gain (loss) on sales of securities

The realised gains and losses on sales of securities are calculated on the basis of the average acquisition cost.

e) Investment income

Dividend income is recorded at the ex-date, net of any withholding tax.

SIFTER FUND

Notes to the financial statements (continued)

as at 31st August 2016

f) Valuation of forward foreign exchange contracts

Forward foreign exchange contracts are valued at forward rates for the remaining period from valuation date to the maturity of the contracts. Unrealised gains or losses are recorded in the statement of net assets. Net variation of unrealised gains or losses and net realised gains or losses are recorded in the statement of operations and other changes in net assets.

g) Conversion of foreign currencies

Cash at banks, other net assets and liabilities and the market value of the securities in portfolio expressed in currencies other than the currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the report. Income and expenses expressed in currencies other than the currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the transaction.

h) Combined financial statements

The combined financial statements of the Fund are expressed in EUR and are equal to the sum of the corresponding items in the financial statements of each Sub-Fund.

i) Receivable / Payable on treasury transactions

The item "Receivable on treasury transactions" comprises maturities of time deposits, new loans or foreign exchange transactions not yet recorded under the item "Cash at banks".

The item "Payable on treasury transactions" comprises new time deposits, maturities of loans or foreign exchange transactions not yet recorded under the item "Cash at banks".

j) Transaction fees

Transaction costs disclosed under the caption "Transaction fees" in the expenses of the statement of operations and other changes in net assets are mainly composed of broker fees incurred by the Fund and of fees relating to liquidation of transactions paid to the depositary.

Note 2 - Management fee

The Board of Directors has appointed PHARUS MANAGEMENT LUX S.A. as Management Company of the Fund (hereinafter the "Management Company") to be responsible on a day-to-day basis, under supervision of the Directors, for providing administration, marketing and investment management services in respect of the Sub-Fund.

The Management Company is approved as Management Company regulated by Chapter 15 of the law of 17th December 2010 relating to Undertakings for Collective Investment, as amended and is licensed to act as an Alternative Investment Fund Manager authorized to manage AIFs.

Until 6th September 2015:

the Management Company was entitled to receive from each Sub-Fund a management fee of max 1.21 % per year, based on the net assets of the Sub-Fund with a minimum of EUR 35,000 per Sub-Fund.

The annual rates applied for each class of shares were as follows:

- R-Class and I-Class: 1.21%
- PI-Class: 0.80%

SIFTER FUND

Notes to the financial statements (continued)

as at 31st August 2016

The fee was calculated on the quarterly average of the total net assets under management of the previous quarter and was payable quarterly in arrears.

In addition, the Investment Manager, PHARUS MANAGEMENT S.A. (until 6th September 2015), was entitled to receive from each Sub-Fund an investment management fee of 0.19% per year, based on the net assets of the Sub-Fund with a minimum of EUR 25,000 as well as a fixed fee of EUR 25 per transaction. The fee was calculated on the quarterly average of the total net assets under management of the previous quarter and is payable quarterly in arrears.

Since 7th September 2015:

the Management Company is entitled to receive from each Sub-Fund a management fee based on the net assets of the Sub-Fund with a minimum of EUR 35,000 per Sub-Fund.

The annual rate applied for each class of share is 0.20% per year.

The fee is calculated on the quarterly average of the total net assets under management of the previous quarter and is payable quarterly in arrears.

In addition, the Investment Manager, AALTO INVEST UK Ltd (since 7th September 2015), is entitled to receive from each Sub-Fund an investment management fee based on the net assets of the Sub-Fund.

The annual rates applied for each class of shares are as follows:

- R-Class and I-Class: 1.20%
- PI-Class: 0.80%

The fee is calculated on the quarterly average of the total net assets under management of the previous quarter and is payable quarterly in arrears.

Note 3 - Performance fee

Until 31st March 2016, the Investment Manager was entitled to receive a performance fee payable for all share classes and based on the last NAV per Share calculated at the end of each financial year (the Last Yearly NAV).

If the NAV per Share appreciated since the Last Yearly NAV of the preceding financial year for more than the maximum between the Euribor 12 months or the 5% (the Hurdle Rate) and since the highest Last Yearly NAV of all preceding financial years (the Annual All-Time-High), the Investment Manager was entitled to receive 15 % of the excess increase of appreciation of the NAV per Share.

The Hurdle Rate was calculated anew at the beginning of each financial year.

The performance fee was only payable if the NAV per Share had reached the Annual All-Time-High at the end of the current financial year and at the same time had surpassed the Hurdle Rate (High Water Mark system).

The performance fee was payable on the outstanding Shares at the end of the relevant financial year.

In case of subscription, the performance fee calculation was adjusted to avoid that this subscription impacts the amount of performance fee accruals. This adjustment was applied to the performance fee calculation until the end of the relevant period and was adjusted in case of subsequent redemptions during such period.

SIFTER FUND

Notes to the financial statements (continued)

as at 31st August 2016

If any shares were redeemed or converted to shares of another Sub-Fund during the calculation year, the cumulative performance fee accrued during the calculation year in respect of those shares was crystallized and became payable to the Investment Manager even if no accrual for performance fees was done at the date of the payment. For distribution shares, if a dividend was distributed during the relevant year, this dividend per share was added to the current net asset value per share in order to determine the variation of NAV to be taken into consideration.

Since 1st April 2016, the Investment Manager is entitled to receive a performance fee payable for all share classes and based on the last NAV per Share calculated at the end of each calendar quarter (the Last Quarterly NAV).

If the NAV per Share appreciates during the quarter by more than 1.25%, or by the Euribor (12 month) rate Bloomberg (BBG) code EUCV12M applicable at the beginning of the quarter for the quarter, whichever is higher, (the Hurdle Rate), relative to the latest All Time High NAV per share, the Investment Manager is entitled to receive 15% of the increase of appreciation of the NAV per Share in excess of the Hurdle Rate.

The All Time High NAV per share is always the latest NAV per share based on which a Performance Fee has been paid.

The performance fee will only be payable if the Last Quarterly NAV per Share has reached the latest All Time High NAV per share and has surpassed it by the Hurdle Rate (High Water Mark system).

The performance fees will be payable on the outstanding Shares at the end of the relevant quarter and become due for payment after the end of the quarter.

In case of subscription, the performance fee calculation is adjusted to avoid that this subscription impacts the amount of performance fee accruals. This adjustment is applied to the performance fee calculation until the end of the relevant period and is adjusted in case of subsequent redemptions during such period.

If any Shares are redeemed or converted into Shares of another Sub-Fund during the calculation period, the cumulative performance fee accrued during the calculation period in respect of those Shares is crystallized and becomes payable to the Investment Manager, even if no accrual for performance fees is otherwise due, after the end of the relevant quarter.

For distribution Shares, if a dividend was distributed during the relevant Financial Year, this dividend per Share is added to the current NAV per Share in order to determine the variation of NAV to be taken into consideration.

Note 4 - Central administration costs

The item "Central administration costs" disclosed in the statement of operations and other changes in net assets is mainly composed of the administrative agent fees.

Note 5 - Subscription, redemption and conversion fees

A sale commission of up to 2.00% of the relevant Net Asset Value or the first issue price may be charged by financial intermediaries to subscribers of any Sub-Fund.

In addition, a redemption fee of up to 1.50% of the repurchase price per share may be deducted from the redemption proceeds for R-Class and I-Class.

No conversion fee is charged to the subscribers.

SIFTER FUND

Notes to the financial statements (continued)

as at 31st August 2016

Note 6 - Subscription duty ("*taxe d'abonnement*")

The Fund is governed by Luxembourg law.

Pursuant to the legislation and regulations in force, the Fund is subject to an annual "*taxe d'abonnement*" of 0.05% which is payable quarterly and calculated on the basis of the net assets of each Sub-Fund on the last day of each quarter.

The I-Class and PI-Class benefit from a reduced "*taxe d'abonnement*" of 0.01% of the net assets which are dedicated to these type of shares.

Pursuant to Article 175 (a) of the amended law of 17th December 2010 the net assets invested in Undertakings for Collective Investment already subject to the "*taxe d'abonnement*" are exempt from this tax.

Note 7 - Total expense ratio ("TER")

The TER disclosed under "Statistical information" of this report is calculated in accordance with the "Guidelines on the calculation and disclosure of the TER of collective investment schemes" issued by the Swiss Funds & Asset Management Association "SFAMA" on 16th May 2008 and updated on 20th April 2015.

The TER is calculated for the last 12 months preceding the date of this report.

Transaction fees are not taken into account in the calculation of the TER.

If a performance-related fee is foreseen and has been calculated, the TER is disclosed including this fee. Moreover the performance fee ratio is calculated in percentage of the average net assets for the last 12 months preceding indicated reference date.

Note 8 - Statement of changes in investments

The statement of changes in investments for the period in reference to the report is made available, free of charge, at the registered office of the Fund.

Note 9 - Directors' fees

Directors' fees are included in the caption "Other expenses" in the statement of operations and other changes in net assets.

Note 10 - Subsequent event

With effect as of 1st September 2016, the Board of Directors of the Fund decided to terminate the investment management function of AALTO INVEST UK Ltd and that the Management Company PHARUS MANAGEMENT LUX S.A. will perform the Investment Management of the Fund on its own without any further sub delegation to AALTO INVEST UK Ltd.

SIFTER FUND

Additional Information (unaudited)

as at 31st August 2016

Note 1 - Risk management

As required by circular CSSF 11/512, the Board of Directors needs to determine the global risk exposure of the Fund either by applying the commitment approach or the VaR approach. In terms of risk management, the Board of Directors of the Fund decided to adopt the commitment approach as a method of determining the global risk exposure.

Note 2 - Remuneration

Art 151 3)a) of the amended 2010 Law The total amount of remuneration for the financial year, split into fixed and variable remuneration, paid by the Management Company and the Investment Company to its staff, and number of beneficiaries, and where relevant, any amount paid directly by the UCITS itself, including any performance fees	For financial year from 1st September 2015 to 31st August 2016 Fixed remuneration: EUR 584,671.51 Variable remuneration: EUR 15,000.00 Number of beneficiaries: 9 Amount attributed to senior management: EUR 246,984.99
Art 151 3)b) of the amended 2010 Law The aggregate amount of remuneration broken down by categories of employees or other members of staff of the management company whose actions have a material impact on the risk profile of the UCITS	EUR 259,686.68 Number of beneficiaries: 4
Art 151 3)c) of the amended 2010 Law A description of how the remuneration and benefits have been calculated	The remuneration of the staff of the Management Company was based on long-term employment contracts. No extra benefits in the respective period. The remuneration policy is available for shareholders free of charge on simple request at the registered office of the Management Company (www.pharusmanco.lu)
Art 151 3)d) of the amended 2010 Law The outcome of the review of the remuneration policy including any irregularities that have occurred	The outcome of reviews is available for shareholders free of charge on simple request at the registered office of the Management Company (www.pharusmanco.lu)
Art 151 3)e) of the amended 2010 Law Material changes to remuneration policy	The material changes to the adopted remuneration policy are available for shareholders free of charge on simple request at the registered office of the Management Company (www.pharusmanco.lu)