Annual Report
For the period from 12 May 2017 (date of inception) to 30 September 2018

Flossbach von Storch II

Flossbach von Storch

Investment fund under Luxembourg law
An investment fund pursuant to Part I of the Law of 17 December 2010 concerning undertakings for collective investment, as currently amended, in the legal form of a Fonds Commun de Placement (FCP)

MANAGEMENT COMPANY:
Flossbach von Storch Invest S.A.
R.C.S. Luxembourg B 171513

CONTENTS

REPORT ON BUSINESS OPERATIONS	**2**
FLOSSBACH VON STORCH II – DEFENSIVE ALLOCATION 2023 SUB-FUND	**5**
Geographical breakdown by country	6
Breakdown by economic sector	6
Composition of net sub-fund assets	7
Statement of income and expenses	9
Statement of assets as at 30 September 2018	10
Additions and disposals from 1 August 2017 to 30 September 2018	10
NOTES TO THE ANNUAL REPORT AS AT 30 SEPTEMBER 2018	**11**
AUDIT REPORT	**19**
MANAGEMENT, DISTRIBUTION AND ADVISORY SERVICES	**22**

The sales prospectus and the management regulations it contains, the Key Investor Information Document and the annual and semi-annual reports of the fund are available free of charge by post, fax or email from the registered offices of the management company, the Depositary Bank, the paying agents and sales agents for each country in which it is sold. Additional information is available from the management company at any time during normal business hours.

Subscriptions for fund units are only valid if based on the latest edition of the sales prospectus, including its annexes, in conjunction with the most recent available annual report, together with a more recent semi-annual report if one exists.

Report on business operations

Flossbach von Storch II – Defensive Allocation 2023

The sub-fund Flossbach von Storch II – Defensive Allocation 2023 is a Feeder-UCITS in accordance with Article 77 of the Law of 17 December 2010.

The sub-fund permanently invests at least 85% of the sub-fund's net assets in units of the fund Flossbach von Storch – Multi Asset - Defensive IT (LU1245470080), the Master UCITS.

Unit class R of the Flossbach von Storch II – Defensive Allocation 2023 – sub-fund ended the past financial period from 12 May 2017 to 30 September 2018 with a decline in value of -0.77%. This included a distribution of ordinary income that had been taken into account in December, amounting to 3.00 Euro per fund unit.

Unit class RT of the Flossbach von Storch II – Defensive Allocation 2023 – sub-fund closed the past financial period from 12 May 2017 to 30 September 2018 with a decline in value of -0.81%.

In comparison, the most important equity indices performed as follows in consideration of net dividends: The global leading index, MSCI World Index, increased by 13.2%, in euros. European equities were able to gain1.5%, as measured by the Stoxx Europe 600. In addition, the bond index REXP fell 0.1% in the reporting period. The price of gold fell by 6.9% (in US dollars) or 5.2% (in euros).

The interim strength of the euro in the financial period was probably one of the biggest surprises in the capital markets. At the start of 2018, the price of the euro peaked above the USD 1.25 mark, temporarily causing significant currency losses for euro investors. However, in the course of the year, the greenback regained strength. At the end of the reporting period, one euro was only worth about USD 1.16.

The fragility of the Eurozone was once again evident during the reporting period. The different economies only scarcely run in harmony. Excessive public debt can only be financed with low interest rates. Political uncertainties hardly provide the environment for necessary reforms. This could be seen in the parliamentary elections in Italy in the spring of 2018. The country is ruled by a coalition of left and right-wing populists who want to significantly expand debt, even though Italy is already in debt with 131% of its gross domestic product. The yield on ten-year-old Italian government bonds rose over the reporting period by a good percentage point to 3.1% at the end of September 2018.

In this environment, we do not expect the European Central Bank (ECB) to make any real turnaround to the old levels, which we knew before the financial crisis. Our currency area remains fragile and reliant on support from the central bank. In our opinion, the announcement on behalf of the ECB is unlikely to change much, meaning that the portfolio of bonds will not be increased further as of 2019.

The equity asset class continued to be in demand during the reporting period. Meanwhile, the US S&P 500 equity index reached a new all-time high of 2940 points in

REPORT ON BUSINESS OPERATIONS

September 2018. After the stock markets had risen for a long time without any noticeable interruption, volatility dropped back at the beginning of 2018. Within a few days, the S&P 500 lost more than 10%, which was the biggest setback in two years.

One of the uncertainties in the markets was the US trade conflict with various countries. While the European Union was negotiating further and Mexico and Canada were able to continue their trade agreement with the US under a new name, a settlement of the trade dispute between the US and China was not foreseeable during the reporting period. Even though a possible trade war might initially hit China harder than the US, there are no winners in trade wars taking place in these times of global production chains of companies.

Despite the numerous crises, the price of gold was not of any benefit in the reporting period. The development once again illustrates that gold is not an instant winner of political crises. In our opinion, the precious metal is an insurance against the known and unknown risks on the financial markets - which can even result in a loss of confidence in our monetary system.

Bonds earned little in the reporting period – at least when investors focussed on the broader market. Neither government bonds nor corporate bonds ended the financial period with gains.

Taking into account the investment guidelines set out in the sales prospectus, the sub-fund's investment strategy reflected this particular capital market environment as follows:

For the entire reporting period, bonds had the highest weighting for strategy reasons. At the end of September 2018, their share in the sub-fund assets was 54.7%. Bonds issued by companies were preferred to government issuers in the selection of stocks as they often offered an attractive yield premium. Within the group of corporate bonds, the allocated bonds were mostly denominated in euros and US dollars. In addition, futures contracts and options were used to manage interest rate sensitivity and implement tactical investment opportunities in the bond sector. At the end of the financial period, the duration of the bond portfolio, taking into account the sold futures, was 5.6 years, the average return after hedge was 3.3% and the credit rating was BBB on average.

In addition to bonds, equities bonds had a significant weighting throughout the reporting period, as the asset class continues to benefit from ongoing low interest rate policy and appears attractive despite the now-elevated valuation levels. Ongoing income is also received in the form of dividend payments, which frequently makes the shares even more attractive. These stock selection criteria ensure that companies in the consumer and pharmaceutical/life science sectors are weighted relatively heavily in the sub-fund. The equity allocation was approx. 31.1% at the end of the financial period (maximum permitted equity allocation: 35%), the average dividend yield was 3.7%.

The precious metal ratio hardly changed in comparison with the previous year's reporting date and stood at around 6.3% at the financial period end. The only allocated precious metal was gold, with the holdings held exclusively in the form of gold certificates.

The least weighted asset class throughout the whole financial period was the convertible bonds, as only a few securities for this multi-asset fund had a sufficiently attractive risk/reward profile. As of 30 September 2018, the convertible bond ratio was 2.6%.

REPORT ON BUSINESS OPERATIONS

At the end of the financial period, the liquidity of the sub-fund was 5.1%. There were currency hedges for some of the sub-fund's positions in US dollars and pound sterling. As of 30 September 2018, the sub-fund volume was EUR 161 million.

The information stated in the report is historical and is not representative of future results.

Flossbach von Storch II – Defensive Allocation 2023

Annual report
12 May 2017 (date of inception) - 30 September 2018

The sub-fund Flossbach von Storch II – Defensive Allocation 2023 is a Feeder-UCITS in accordance with Article 77 of the Law of 17 December 2010.

The sub-fund permanently invests at least 85% of the sub-fund's net assets in units of the fund Flossbach von Storch – Multi Asset - Defensive IT (LU1245470080), the Master UCITS.

The latest valid annual and semi-annual reports for the Master UCITS may be obtained from the homepage www.fvsinvest.lu or may also be requested from the management company Flossbach von Storch Invest S.A.

The fund is entitled to launch unit classes with different rights in relation to the units. Details of the current unit classes are as follows:

	Unit class R	Unit class RT
Securities ID No. (WKN):	A2DRVX	A2DRVY
ISIN:	LU1600702853	LU1600703828
Subscription fee:	none	none
Redemption fee:	2.00% p.a.	2.00% p.a.
Management fee:	0.92% p.a.	0.92% p.a.
Minimum initial investment:	none	none
Minimum subsequent investment:	none	none
Income utilisation:	distributing	accumulating
Currency:	EUR	EUR

FLOSSBACH VON STORCH II – DEFENSIVE ALLOCATION 2023

Geographical breakdown by country[1]

Luxembourg	99.35%
Securities holdings	**99.35%**
Cash at bank	0.72%
Balance of other receivables and payables	-0.07%
	100.00%

Breakdown by economic sector[1]

Investment fund holdings	99.35%
Securities holdings	**99.35%**
Cash at bank	0.72%
Balance of other receivables and payables	-0.07%
	100.00%

Performance since launch

Unit class R

Date	**Net unit class assets** EUR millions	**Units in circulation**	**Net inflow of funds** EUR thousands	**Unit value** EUR
01/08/2017[2]	Launch	-	-	100.00
30/09/2018	115.21	1,197,284	119,744.50	96.23

Unit class RT

Date	**Net unit class assets** EUR millions	**Units in circulation**	**Net inflow of funds** EUR thousands	**Unit value** EUR
01/08/2017[2]	Launch	-	-	100.00
30/09/2018	46.46	468,360	46,828.84	99.19

1) Due to rounding differences in individual amounts, totals may differ from the actual value.

2) Date of the first calculation of the unit value.

FLOSSBACH VON STORCH II – DEFENSIVE ALLOCATION 2023

Composition of net sub-fund assets
as at 30 September 2018

	EUR
Securities holdings (acquisition cost of securities: EUR 159,986,360.77)	160,616,378.57
Cash at bank	1,168,321.49
Receivable from securities transactions	86,962.79
Other assets[1]	5,401.42
	161,877,064.27
Payables from the redemption of units	-87,052.69
Interest payable	-1,522.78
Other liabilities[2]	-122,246.03
	-210,821.50
Net sub-fund assets	**161,666,242.77**

Allocation to the unit classes

Unit class R	
Proportion of net sub-fund assets	115,208,787.39 EUR
Units in circulation	1,197,283.887
Unit value	96.23 EUR
Unit class RT	
Proportion of net sub-fund assets	46,457,455.38 EUR
Units in circulation	468,360.206
Unit value	99.19 EUR

1) This item includes capitalised fund launch costs.

2) This item mainly comprises management fees and auditing costs.

FLOSSBACH VON STORCH II – DEFENSIVE ALLOCATION 2023

Change in net sub-fund assets

in the reporting period from 12 May 2017 to 30 September 2018[1)]

	Total	Unit class R	Unit class RT
	EUR	EUR	EUR
Net sub-fund assets at the start of the reporting period	0.00	0.00	0.00
Ordinary net expenditure	-1,916,600.36	-1,376,718.54	-539,881.82
Income equalisation	-52,378.25	-28,027.12	-24,351.13
Cash inflows from the sale of units	173,580,949.20	123,530,062.50	50,050,886.70
Cash outflows from the redemption of units	-7,007,610.02	-3,785,567.46	-3,222,042.56
Realised profits	49,571.15	35,557.96	14,013.19
Net change in unrealised profits	630,017.80	451,186.80	178,831.00
Net change in unrealised losses	0.00	00.00	00.00
Distribution	-3,617,706.75	-3,617,706.75	0.00
Net sub-fund assets at the end of the reporting period	**161,666,242.77**	**115,208,787.39**	**46,457,455.38**

Changes in number of units in circulation for unit class R

	No. of units
Units in circulation at start of reporting period	0.000
Units issued	1,235,300.625
Units redeemed	-38,016.738
Units in circulation at end of reporting period	**1,197,283.887**

Changes in number of units in circulation for unit class RT

	No. of units
Units in circulation at start of reporting period	0.000
Units issued	500,508.867
Units redeemed	-32,148.661
Units in circulation at end of reporting period	**468,360.206**

1) For the period 1 August 2017 to 30 September 2018.

FLOSSBACH VON STORCH II – DEFENSIVE ALLOCATION 2023

Statement of income and expenses

In the reporting period from 12 May 2017 to 30 September 2018[1)]

	Total	Unit class R	Unit class RT
	EUR	EUR	EUR
Income			
Bank interest	-30,936.36	-22,052.78	-8,883.58
Income equalisation	947.58	496.51	451.07
Income total	**-29,988.78**	**-21,556.27**	**-8,432.51**
Expenses			
Interest payable	-1,522.76	-1,076.95	-445.81
Management fee/Fund management fee	-1,860,878.39	-1,327,677.97	-533,200.42
Depositary fee	-29,030.34	-20,712.98	-8,317.36
Central administration agent fee	-12,381.85	-8,834.29	-3,547.56
Taxe d'abonnement	-2,496.87	-1,778.09	-718.78
Publication and auditing costs	-6,781.09	-4,839.41	-1,941.68
Typesetting, printing and dispatch costs for the annual and semi-annual reports	-3,472.20	-2,472.83	-999.37
Registrar and transfer agent fee	-2,479.00	-1,768.30	-710.70
State fees	-16,242.63	-11,565.75	-4,676.88
Launch costs	-1,598.58	-1,140.82	-457.76
Other expenses[2)]	-1,158.54	-825.49	-333.05
Income equalisation	51,430.67	27,530.61	23,900.06
Total expenses	**-1,886,611.58**	**-1,355,162.27**	**-531,449.31**
Ordinary net expenditure	**-1,916,600.36**	**-1,376,718.54**	**-539,881.82**

Total transaction costs during the reporting year[3)]	**1,675.00**		

Total expense ratio as a percentage[3)]	**1.13**	**1.13**
Ongoing charges as a percentage[3)] (for the reporting period from 1 October 2017 to 30 September 2018)[3)]	**1.85**	**1.85**
Ongoing charges as a percentage[3)] (for the reporting period from 1 August 2017 to 30 September 2018)[3)]	**2.02**	**2.02**

1) For the period 1 August 2017 to 30 September 2018.

2) This position consists primarily of general and administrative expenses and membership fees.

3) See the notes to the annual report.

FLOSSBACH VON STORCH II – DEFENSIVE ALLOCATION 2023

Statement of assets as at 30 September 2018

ISIN	Securities		Additions in the reporting period	Disposals in the reporting period	Quantity	Price	Market Value EUR	% share of NSFA[1]
Investment fund holdings [2]								
Luxembourg								
LU1245470080	Flossbach von Storch - Multi Asset - Defensive IT	EUR	1,510,200	45,791	1,464,409	109.6800	160,616,378.57	99.35
							160,616,378.57	**99.35**
Investment fund holdings							**160,616,378.57**	**99.35**
Securities holdings							**160,616,378.57**	**99.35**
Cash at bank							**1,168,321.49**	**0.72**
Balance of other receivables and payables							**-118,457.29**	**-0.07**
Net sub-fund assets in EUR							**161,666,242.77**	**100.00**

Additions and disposals from 1 August 2017[3] to 30 September 2018

During the period under review, no further purchases or sales of securities, debentures or derivatives, including non-monetary transactions, that are not listed in the schedule of assets, were made.

Exchange rates

As at 30 September 2018 there were only assets in the sub-fund currency (Euro).

1) NSFA = net sub-fund assets. Due to rounding differences in individual amounts, totals may differ from the actual value.

2) Neither subscription fees nor redemption fees are charged for target fund shares. A management fee of 0.78% p.a. is calculated for units held of the target fund.

3) Date of the first calculation of the unit value

Notes to the annual report as at 30 September 2018

1.) Introduction

The Flossbach von Storch II investment fund ("fund") is managed by Flossbach von Storch Invest S.A. The fund's management regulations first came into force on 3 October 2017 and were published in Luxembourg on 3 October 2017 in the "Recueil électronique des sociétés et associations" ("RESA"), the information platform of the Trade and Companies Register.

The fund is a Luxembourg investment fund (fonds commun de placement), which falls under Part I of the Luxembourg Law of 17 December 2010 on undertakings for collective investment ("Law of 17 December 2010") and takes the form of an umbrella fund with one or more sub-funds established for an indefinite period. The respective sub-funds are feeder UCITS within the meaning of Article 77 of the Law of 17 December 2010. The objective of the investment policy of the sub-fund Flossbach von Storch II – Defensive Allocation 2023 ("sub-fund"), is to reflect as far as possible as a feeder UCITS the performance of the Flossbach von Storch – Multi Asset – Defensive (IT unit class) ("Master UCITS"), a legally dependent fund in accordance with Chapter 2 of the Law of 17 December 2010 in the form of an umbrella fund.

The management company of the fund is Flossbach von Storch Invest S.A. (the "management company"), a public limited company (Aktiengesellschaft) under the law of the Grand Duchy of Luxembourg with its registered office at 6, Avenue Marie-Thérèse, L-2132 Luxembourg, Luxembourg. It was incorporated for an indefinite period on 13 September 2012. Its articles of association were published in Mémorial on 5 October 2012. The most recent amendment to the articles of association came into force on 6 May 2015 and was published in Mémorial on 3 June 2015. The management company is registered in the Trade and Companies Register of Luxembourg under registration number R.C.S. Luxembourg B 171513.

The current version of the Sales Prospectus with integrated management regulations, the most recent annual and semi-annual reports and the key investor information documents of the individual master UCITS can be downloaded from the website of the management company (www.fvsinvest.lu).

NOTES (continued)

2.) Master-feeder structures

The following sub-funds are involved in a master-feeder structure:

Master sub-fund	Feeder sub-fund	Currency	Amount of aggregate charges	Aggregate charges in %	% of ownership of the Master UCITS
Flossbach von Storch - Multi Asset – Defensive (unit class IT)	Flossbach von Storch II – Defensive Allocation 2023 (unit class R)	EUR	2,639,950.10	2.17%	8.03%
Flossbach von Storch - Multi Asset - Defensive (unit class IT)	Flossbach von Storch II – Defensive Allocation 2023 (unit class RT)	EUR	1,062,321.48	2.17%	3.24%
Flossbach von Storch - Multi Asset - Defensive (unit class IT)	Flossbach von Storch II – Defensive Allocation 2023	EUR	3,702,271.58	2.17%	11.27%

The information regarding the description of the master-feeder structures, the investment objective and policy of the Master UCITS are detailed in the prospectus of Fund.

The audited financial statements and the prospectus of the Master UCITS and Feeder UCITS are available on www.fvsinvest.lu.

The Valuation of the Master sub-fund for the Flossbach von Storch II – Defensive Allocation 2023 Feeder is dated 28 September 2018.

3.) Key accounting and valuation principles

This annual report have been prepared under the responsibility of the Executive Board of the management company in conformity with the legal provisions and regulations prevailing in Luxembourg for the preparation and presentation of reports.

1. The net assets of the fund are denominated in euros (EUR) (the “reference currency”).

2. The value of a unit (“unit value”) is denominated in the currency laid down in the relevant annex to the sales prospectus (“sub-fund currency”) unless a currency other than the sub-fund currency has been specified in the relevant annex to the sales prospectus in relation to any other units classes which may exist (“unit class currency”).

3. The unit value is calculated by the management company or a third party commissioned for this purpose by the management company, under the supervision of the depositary, on each banking day in Luxembourg with the exception of 24 and 31 December of each year (“valuation day”) and rounded up to two decimal places. The management company may decide on a different

NOTES (continued)

arrangement for individual sub-funds, in which case it should be taken into account that the unit value should be calculated at least twice a month.

However, the management company can decide to calculate the unit value on 24 and 31 December of a year without the calculation representing the unit value on a valuation day as defined by the previous sentence 1 of this clause 3. Consequently, investors cannot demand the issue, redemption and/or exchange of units on the basis of a unit value calculated on 24 and/or 31 December of a given year.

4. The unit value is calculated on each valuation day based on the value of the assets of the respective sub-fund minus the liabilities of the respective sub-fund ("net sub-fund assets") and divided by the number of units in circulation on the valuation day.

5. Insofar as information on the situation of the overall net assets of the fund must be provided in the annual or semi-annual reports, or in other financial statistics in accordance with applicable legislative provisions or in accordance with these fund management regulations, the value of the assets of each sub-fund will be translated into the reference currency. The respective sub-fund´s net assets are calculated in accordance with the following principles:
   a) Securities, money market instruments, derivative financial instruments (derivatives) and other investments officially listed on a stock exchange are valued at the latest trade price which provides a reliable valuation on the trading day preceding the valuation day. If securities, money market instruments, derivative financial instruments or other assets are officially listed on more than one securities exchange, the price registered on the exchange with the greatest liquidity shall be authoritative in this respect.

   b) Securities, money market instruments, derivative financial instruments (derivatives) and other investments not officially listed on a securities exchange (or whose market price is not deemed representative, e.g. due to lack of liquidity) but that are traded on a regulated market shall be valued at a price that is not lower than the bid price and not higher than the offer price of the trading day preceding the valuation day and that the management company considers, to the best of its knowledge, to be the best possible price at which the securities, money market instruments, derivative financial instruments (derivatives) and other investments can be sold.

      The management company may specify for individual sub-funds that securities, money market instruments, derivative financial instruments (derivatives) and other investments that are not officially listed on a securities exchange (or whose market price is not deemed representative, e.g. due to lack of liquidity) but that are traded on a regulated market shall be valued at the last price available on this market that the management company considers, to the best of its knowledge, to be the best possible price at which the securities, money market instruments, derivative financial instruments (derivatives)

NOTES (continued)

and other investments can be sold. Details on this are contained in the annex to the sub-fund in question.

c) OTC derivatives are valued daily on a verifiable basis determined by the management company.

d) Units in UCI/UCITS are generally valued at the last redemption price fixed before the valuation day or at the latest available price that affords a reliable valuation. If the redemption of investment units has been suspended or if no redemption price has been set, these units and all other assets are valued at their respective market values as determined in good faith by the management company in line with generally accepted and verifiable valuation principles. If the fund is structured as a feeder UCITS, the units of the master UCITS are valued at the redemption price of the Master UCITS on the valuation date.

e) If the respective prices are not market prices, if the financial instruments listed under b) are not traded on a regulated market and if no prices have been set for financial instruments other than those listed under subsections a) to d), these financial instruments and the other legally permissible assets will be valued at their market prices as determined by the management company, to the best of its knowledge, in line with generally accepted, verifiable valuation rules (e.g. suitable valuation models taking account of current market conditions).

f) Liquid funds are valued at their nominal value plus interest.

g) Amounts due, for example, deferred interest claims and liabilities, shall in principle be rated at the nominal value.

h) the market value of securities, money market instruments, derivative financial instruments (derivatives) and other assets which are denominated in a currency other than that of the relevant sub-fund shall be converted into the currency of the sub-fund at the exchange rate determined using WM/Reuters fixing at 17:00 CET/CEST on the trading day preceding the valuation day. Profits and losses from currency transactions will be added or deducted as appropriate.

The management company may stipulate for individual sub-funds that the market value of securities, money market instruments, derivatives and other investments denominated in a currency other than the relevant sub-fund currency will be converted into the relevant sub-fund currency at the exchange rate prevailing on the valuation date. Profits and losses from currency transactions will be added or deducted as appropriate. Details on this are contained in the annex to the sub-fund in question.

6. The respective sub-fund's net assets are reduced by any distributions paid, where applicable, to investors in the sub-fund concerned.

The resulting unit value is calculated for each sub-fund separately on the basis of the criteria provided above. However, if there are different unit classes within a sub-fund, the unit value will be calculated separately for each unit class

NOTES (continued)

within the relevant sub-fund according to the above criteria. The composition and allocation of assets always occurs separately for each sub-fund.

For computational reasons, the tables included in this semi-annual report may contain rounding differences of up to plus or minus one unit (of currency, per cent, etc.).

4.) Taxation of the master UCITS

Taxation of the investment fund

In the Grand Duchy of Luxembourg, the fund assets are subject to a tax known as the "taxe d'abonnement", which is currently levied at a rate of 0.05% p.a. or 0.01% p.a. The taxe d'abonnement is payable at the end of each quarter on the reported net sub-fund assets. The amount of the taxe d'abonnement is specified for each sub-fund or unit class in the relevant annex to the sales prospectus. Insofar as fund assets are invested in other Luxembourg investment funds that are already subject to the taxe d'abonnement, the portion of such assets is exempt from the tax.

The fund's income derived from the investment of fund assets is not subject to taxation in the Grand Duchy of Luxembourg. However, such income may be subject to taxation at source in countries in which fund assets are invested. In such cases, neither the Depositary nor the management company is obliged to obtain tax certificates.

Taxation of earnings from investment fund units held by the investor

Investors who are not resident in and/or do not maintain a business establishment in the Grand Duchy of Luxembourg are not required to pay any further income, inheritance or wealth tax in the Grand Duchy of Luxembourg in respect of their units or of income deriving from their units. These parties are subject to their own countries' tax regulations.

Natural persons who are resident in the Grand Duchy of Luxembourg and are not resident in another state for tax purposes are required to pay a withholding tax of 20% on interest income accrued in Luxembourg in accordance with the Luxembourg law implementing the Directive. Under certain circumstances, investment fund interest income may also be subject to the withholding tax.

Prospective investors should enquire about the laws and regulations that apply to the purchase, possession and redemption of units and, where necessary, seek professional advice.

5.) Income utilisation

The management company may distribute the income generated by the fund to investors or reinvest such income in the fund. Information about this can be found in the relevant annex to the sales prospectus for the individual sub-fund.

Income is utilised in accordance with Article 12 of the management regulations. The timing, amount and composition of the distributions are determined by the management company in the interests of the investors.

6.) Information on fees and expenses

Details of management and depositary fees are given in the current sales prospectus.

7.) Transaction costs

Transaction costs include all costs which were accounted for and/or settled separately on account of the fund in the financial period and are directly connected with a purchase or sale

NOTES (continued)

of securities, money market instruments, derivatives or other assets. These costs primarily comprise commissions, processing fees and tax.

8.) Total Expense Ratio (TER)

In calculating the total expense ratio (TER), the following BVI calculation method was applied:

$$\text{TER} = \frac{\text{Total cost in fund currency}}{\text{Average fund volume (basis: NFA calculated daily *)}} \times 100$$

* NFA = net fund assets

The TER indicates the level of expenses charged to the fund assets. In addition to management and depositary fees and the taxe d'abonnement, all other costs are included, with the exception of transaction costs incurred by the fund. It shows the total amount of these costs as a percentage of the average fund volume in a financial year. (Any performance fees are shown separately in direct relation to the TER.)

9.) Ongoing charges

"Ongoing charges" is a figure calculated pursuant to Article 10 (2) (b) of Commission Regulation (EU) No. 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament.
The ongoing charges indicate the level of expenses charged to the fund assets in the past financial period. In addition to management and depositary fees and the taxe d'abonnement, all other costs are included, with the exception of applicable performance fees. The figure shows the total amount of these charges as a percentage of the average fund volume in the financial period. In the case of investment funds which invest more than 20% of their assets in other fund products / target funds, the charges for the target funds are also included – any retrocession receipts (trailer fees) for these products are off set against the charges.

For unit classes without a full financial year, the figure is based on a cost estimate.

10.) Income and expense equalisation

The ordinary net income includes an income adjustment and an expenditure adjustment. These include, during the reporting period, accrued net income which is paid by the party acquiring the units as part of the issue price and passed on to the party selling the units in the redemption price.

11.) Fund current accounts (cash at banks and/or liabilities to banks)

All the current accounts of a sub-fund (including those in different currencies) that are actually and legally only part of a single current account are shown as a single current account in the composition of net sub-fund assets. Current accounts in foreign currencies, if applicable, are converted into the currency of the Fund. Interest is calculated on the basis of the terms of the relevant individual account.

12.) Risk management

The management company applies a risk management procedure which enables it to monitor and measure at all times the risk contained in the investment positions and their contribution to the overall risk profile of the investment portfolio of the funds managed by the management company. In accordance with the Law of 17 December 2010 and the applicable supervisory requirements of the Commission de Surveillance du Secteur Financier ("CSSF"), the management company reports regularly to the CSSF on the risk

NOTES (continued)

management procedure it applies. As part of its risk management procedure, the management company ensures, through the use of effective and appropriate methods, that the overall risk connected with derivatives in the funds managed does not exceed the total net value of their portfolios. To do this, the management company uses the following methods:

Commitment Approach:
Under the Commitment Approach, positions in derivative financial instruments are converted into their underlying equivalent using the delta method. This takes account of netting and hedging effects between derivative financial instruments and their underlyings. Equivalent to underlyings, their total value must not exceed the total net value of the fund portfolio.

VaR Approach:
The Value-at-Risk (VaR) figure is a statistical concept and is used as a standard measure of risk in the financial sector. The VaR indicates the potential loss on a portfolio during a given period (the holding period) which has a given probability (the confidence level) of not being exceeded.

Relative VaR approach:
In the relative VaR approach, the VaR for the fund must not exceed the VaR for a reference portfolio by a factor contingent on the level of the fund's risk profile. The maximum factor permitted by the supervisory authorities is 200%. The benchmark portfolio provides a correct representation of the fund's investment policy.

Absolute VaR approach:
In the absolute VaR approach, the VaR for the fund (99% confidence level, 20-day holding period) must not exceed a portion of the fund's assets contingent on the level of the fund's risk profile. The maximum limited permitted by the supervisory authorities is 20% of the fund's assets. For funds which use the VaR approaches to ascertain the total risk, the management company estimates the expected degree of leverage effect. The extent of this leverage effect may deviate from the actual value depending on prevailing market conditions, falling below or exceeding it. Investors' attention is drawn to the fact that no conclusions can be drawn from this information with respect to the risk entailed in the fund. Furthermore, the expected leverage published is explicitly not to be understood as an investment limit. The method used to determine the overall risk and, if applicable the publication of the reference portfolio and the expected degree of leverage, as well as the calculation method, are stated in the fund-specific appendix. In accordance with the Prospectus valid at the end of the financial period, the sub-fund is subject to the following risk management procedure:

Sub-fund	Risk Management Method
Flossbach von Storch II – Defensive Allocation 2023	Commitment Approach

13.) Events in the reporting period

There were no significant changes and no other significant events during the reporting period.

14.) Events after the reporting period

A new sub-fund Flossbach von Storch II – Rentas 2025 will be launched end of February 2019. The signing period will start on 13 December 2018.

15.) Remuneration policy (unaudited)

The approved Flossbach von Storch Invest S.A. remuneration policy applies to all employees and takes into account the local and European

NOTES (continued)

requirements regarding UCITS and AIFMD regulations. Due to the structure and size of the company, all employees are classified as risk takers. For the time being, members of the Supervisory Board shall not receive any remuneration for their work for the Flossbach von Storch Invest S.A. Supervisory Board.

The remuneration policy serves to put in place appropriate practices that guarantee solid and effective risk management. An additional objective is to discourage excessive risk-taking and to prevent conflicts of interest. Flossbach von Storch Invest S.A. aims to pay all employees a suitable fixed salary so that the variable components merely constitute additional remuneration and mainly relate to the Company's overall performance. The remuneration policy also aims to ensure an appropriate balance between fixed and variable remuneration components.

The principle of proportionality is applied in accordance with Section 7 of ESMA Guideline 2016/575. This includes the following procedure:

- No remuneration committee shall be appointed.
- The variable remuneration shall not be paid in the management company's AIF/UCITS instruments.
- The payment shall be made subsequently as part of the salary, and no vesting period or deferral shall be applied. However, the management company reserves the right to reclaim parts of the variable remuneration under special circumstances.

The number of remunerated employees at the end of the management company's financial year 2017 was 12. The total remuneration of these employees in relation to the present investment company was approx. EUR 1,535,000. Of this, approx. 79% was attributable to fixed remuneration components. The proportion of variable remuneration components to staff costs on the whole was approx. 21%, which was paid to six out of the twelve employees in total. The total remuneration covers the paid remuneration components and the related social security contributions.

The remuneration policy was drawn up without the involvement of external advisors. It is available for download online at www.fvsinvest.lu in the remuneration policy under “Legal Notice”.

Management of the Sub-fund's portfolio was outsourced to Flossbach von Storch AG with its registered office in Cologne (Germany). As a financial service institution, Flossbach von Storch AG is required to have an appropriate remuneration system in accordance with Section 25a (1) sentence 6 KWG (Kreditwesengesetz [German Banking Act]) in conjunction with the InstitutsVergV (Ordinance on the Supervisory Requirements for Institutions' Remuneration Systems).

The Company's total assets were well below EUR 15 billion on average over the last three complete financial years. The Company independently established that, on the basis of a risk analysis, it should not be classified as a major institution. For this reason, the Company has not applied the special regulations for major institutions. Flossbach von Storch AG is therefore subject to the Remuneration Ordinance for Institutions' general requirements.

In the 2017 financial year, the total Flossbach von Storch AG staff costs, including social security contributions and occupational pensions, came to EUR 30,265,000. Of this, approx. 65% was attributable to fixed remuneration components. The proportion of variable remuneration components to staff costs on the whole was approx. 35%.

NOTES (continued)

In the 2017 financial year, 149 employees (out of a total of 170 employees as of 31 December 2017) received a variable remuneration. Each of the three executive board members received a bonus.

The Flossbach von Storch AG remuneration provision was drawn up without the involvement of external advisors. It is available for download online at www.flossbachvonstorch.de in the remuneration provision under "Legal Notice".

16.) Transparency of securities financing transactions and their reuse

As a management company of undertakings for collective investment in transferable securities (UCITS) and alternative investment fund manager (AIFM), Flossbach von Storch Invest S.A. falls by definition within the scope of Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 (SFTR).

No securities financing transactions or total return swaps as defined in this Regulation were used during the reporting period. Consequently, none of the disclosures specified in Article 13 of this Regulation must be provided in the semi-annual report for unitholders.

Detailed information on the investment fund's investment strategy and the financial instruments used is available in the current sales prospectus.

Audit report

To the Unitholders of
Flossbach von Storch II

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Flossbach von Storch II (the "Fund") as at 30 September 2018, and of the results of its operations and changes in its net assets for the period from 12 May 2017 (date of incorporation) to 30 September 2018 in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

What we have audited

The Fund's financial statements comprise:

- the composition of net assets as at 30 September 2018;
- the change in net assets for the period from 12 May 2017 (date of inception) to 30 September 2018;
- the statement of income and expenses for the period from 12 May 2017 (date of inception) to 30 September 2018;
- the statement of assets as at 30 September 2018; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Law and standards are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the financial statements" section of our report.

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

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

Other information

The Board of Directors of the Management Company is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors of the Management Company for the financial statements

The Board of Directors of the Management Company is responsible for the preparation and fair presentation of the 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 Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Management Company;

- conclude on the appropriateness of the Board of Directors of the Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern;

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

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

PricewaterhouseCoopers, Société coopérative   Luxembourg, 11 January 2019
Represented by

Dr. Norbert Brühl

Management, distribution and advisory services

Management Company

Flossbach von Storch Invest S.A.
6, Avenue Marie-Thérèse
L-2132 Luxembourg

Supervisory Board of the Management Company

Chairman of the Supervisory Board
Kurt von Storch
Member of the Executive Board
Flossbach von Storch AG, Cologne

Deputy Chairman of the Supervisory Board
Julien Zimmer
Investment Funds Chief Representative
DZ PRIVATBANK S.A., Luxembourg

Member of the Supervisory Board
Bernd Model
Managing Director
Flossbach von Storch AG, Zürich

Executive Board of the Management Company (management body)

Michael Borelbach
(until 10 October 2017)
Karl Kempen
Markus Müller
Nikolaus Rummler
(until 10 October 2017)
Dirk von Velsen

Auditor of the Management Company

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Depositary

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Central Administration Agent and Registrar and Transfer Agent

DZ PRIVATBANK S.A.
4, rue Thomas Edison
L-1445 Strassen, Luxembourg

Paying Agent

Grand Duchy of Luxembourg

DZ PRIVATBANK S.A.
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Fund Manager

Flossbach von Storch AG
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Fund Auditor

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Additional information for Spain

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Branch

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