

SALUS ALPHA SICAV
Société d'Investissement à Capital Variable

**Annual report, including Audited Financial Statements
For the year ended December 31, 2017**

SALUS ALPHA SICAV

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Subscriptions can only be received on the basis of the latest prospectus accompanied by the latest annual report as well as by the latest semi-annual report, if published after the latest annual report.

SALUS ALPHA SICAV

Organisation

Registered Office	2, rue de Canach L-5368 Schuttrange
Board of Directors	
Chairman	Oliver Prock Salus Alpha Capital Ltd
Directors	Günther Schneider Salus Alpha Financial Services (Europe) Ltd Duncan McKay Independent Director
Conducting Officers	Thierry André Alberto Cavadini
Depositary and Central Administration Agent	Caceis Bank, Luxembourg Branch 5, Allée Scheffer L-2520 Luxembourg
Investment Manager	Salus Alpha Capital Ltd Wegacker 42 FL-9493 Mauren
Global Distributor	Salus Alpha Capital Ltd Wegacker 42 FL-9493 Mauren
<i>Cabinet de révision agréé</i>	KPMG Luxembourg, Société cooperative 39, avenue John F. Kennedy L-1855 Luxembourg
Luxembourg Legal Advisors	MMS Avocats 14a, rue des Bains L-1212 Luxembourg

SALUS ALPHA SICAV

Annual directors' report For the year ending December 31, 2017

Organisational structure

Salus Alpha SICAV ("the Fund") is organized as a société anonyme under the laws of the Grand Duchy of Luxembourg and qualifies as an open-ended société d'investissement à capital variable - (a "SICAV Type I"). The Company was incorporated in Luxembourg on February 15, 2013 as an umbrella SICAV and added to the CSSF official list on December 15, 2015.

Sub-funds during 2017

The sub-funds SALUS ALPHA SICAV - Salus Alpha Directional Markets and SALUS ALPHA SICAV - Salus Alpha Special Situations have been launched on August 1, 2016 by absorbing the Austrian Salus Alpha Directional Markets and Salus Alpha RN Special Situations fund. Comments therefore referring to periods before the merger date are references made to the absorbed fund's strategy which was after the merger date as announced unchanged.

Market Review

Global markets started 2017 in a mixed fashion. Investors eyed the Fed meeting at the end of the month, during which the central bank opted to keep rates on hold with little indication of future rate decisions. At an asset class level, developed market equities were mixed. In February, global markets were generally stronger as equity markets and the US dollar experienced gains. The probability of a March Fed hike rose during the month, as the market assigned nearly a 70% probability of a hike at the next meeting of the FOMC. Outside the US, fears of European stress arising from a potential Marine Le Pen victory in the France. Equities were broadly stronger with nearly all sectors contributing to the rally. March was a month dominated by political and monetary policy events, particularly in developed economies. The Trump administration's foiled health care bill raised doubts around its ability to deliver infrastructure spending and tax cuts. The US Federal Reserve increased rates mid-month and signaled a likely further two hikes in 2017 which was interpreted by the market as more dovish than expectations. British Prime Minister Theresa May formally triggered Article 50, officially commencing a two-year period to reach an exit deal. The European Central Bank indicated that it would likely not take new actions to support the economy, which markets interpreted as hawkish. Equities were higher overall with gains for the S&P 500 and Euro Stoxx 50 while the Nikkei fell slightly.

In April, Markets focused on the elections in France. In monetary policy, the European Central Bank did not change its interest rate policy. Equities were largely stronger during the month. Political developments dominated headlines in May. Most global equity markets posted gains despite mid-month volatility driven by political uncertainty. Central banks dominated the headlines in June. The US Federal Reserve (Fed) raised the federal funds rate by 25bps, in line with expectations despite lower than expected core inflation. Global equities fell toward month-end but rose again over the month.

Developments in international politics were notable points of focus in July, while central bank policy was largely unchanged amid few indications of any change in the low inflation environment. The European Central Bank left interest rates unchanged, though lower unemployment and a slight increase in core inflation led to expectations of future policy tightening. Global equities rose on the month. Domestic and global political turmoil dominated headlines in August amidst heated rhetoric between the US and North Korea. Global equities rose on the month. September was an eventful month from a macro perspective with a number of central bank announcements and geopolitical events dominating headlines. The Bank of England (BoE), Federal Reserve (Fed), Bank of Canada (BoC), and the European Central Bank (ECB) all delivered key speeches on their monetary policy stances. Many of the decisions were in line with expectations. While the geopolitical tensions between the US and North Korea continued to generate a market reaction, moves were generally short-lived. In Europe, Brexit talks and German elections dominated the political landscape. Global equities were broadly higher in September with Japanese, European, and US markets all in positive territory, but with notable reversals seen on an intra-market basis.

The last quarter of 2017 was a busy month from a macro perspective with key announcements from major central banks. The Federal Reserve ("Fed") and European Central Bank ("ECB") delivered announcements that fell broadly in line with market expectations. On the data front, a number of readings pointed to stronger economic activity in the US, and global factory activity was near its highest level for decades during November as a global upswing in economic activity and trade boosted manufacturing activity. Global equities recorded another strong positive month in October, continuing their upward trajectory in 2017. Equity performance was mixed in November with both U.S. and Japanese equities rising while European stocks drifted lower.

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Annual directors' report

For the year ending December 31, 2017 (continued)

SALUS ALPHA SICAV - Salus Alpha Directional Markets

To achieve its investment objective the sub-fund is actively managed and invests long and short across the world via high-volume exchange-listed futures based on the fund manager's assessment of economic conditions, the situation on the capital markets and the outlook of risk assets. The weighting of all assets is flexible and can vary. When implementing the sub-fund's strategy, the fund is positioned depending on the direction of the expected return (price forecast) of each investment in the portfolio and the quality of the price forecast. Low risk assets having a good forecast quality are geared to achieve the target volatility level of the fund whilst high risk assets having a bad forecast quality are weighted less to achieve the target volatility level of the fund (risk parity).

	Return 1.1.17-31.12.17
SALUS ALPHA SICAV - Salus Alpha Directional Markets R EUR	-1.71%
Long-Only Equity Indices:	
Dow Jones EuroStoxx 50	+6.49%
Stoxx Europe 50 Index	5.56%
Hedge Fund Indices:	
Newedge CTA Index	2.03%
HFRX Macro: Systematic Diversified CTA Index	5.05%

Sub-fund Review

Q1'17

SALUS ALPHA SICAV - Salus Alpha Directional Markets returned 0.21% return in Q1'17. The period started on a weak note, with negative returns in January, but stock markets picked up as the quarter progressed. Economic data released during the period was largely positive. European equities were strong in Q1. In bond markets, high yield corporate bonds performed particularly well, while government bonds were more mixed.

Q2'17

SALUS ALPHA SICAV - Salus Alpha Directional Markets continued the trend in the second quarter of 2017 with a negative performance of 0.31%. Eurozone equities gained. Reduced political risk, positive economic data and improved corporate earnings all supported shares. Gains were capped by worries the central bank could start to tighten policy. In fixed income, government bond yields were well-supported for much of the period, though a sell-off in the last week of June resulted in losses for Bunds and gilts for the quarter overall.

Q3'17

Global equities posted a quarter of solid gains in Q3. The S&P 500 rose over the quarter amid some supportive macroeconomic data, a robust quarterly reporting season and further weakness in the US dollar. Bond yields were little changed over the quarter, reflecting a largely unchanged global economic backdrop. SALUS ALPHA SICAV - Salus Alpha Directional Markets returned -1.54% in this period.

Q4'17

SALUS ALPHA SICAV - Salus Alpha Directional Markets returned -0.06% in the fourth quarter to close the year at negative 1.71%. Global equities capped off a strong year with gains in the fourth quarter. In fixed income, the US Treasury and German Bund yield curves flattened. Eurozone equities declined amid some profit-taking and simmering political risk, although economic data remained positive.

SALUS ALPHA SICAV

Annual directors' report For the year ending December 31, 2017 (continued)

Outlook

Global growth forecasts for 2018 and 2019 have been revised upward by 0.2 percentage point to 3.9 percent. The revision reflects increased global growth momentum and the expected impact of the recently approved U.S. tax policy changes.

Commodities and inflation:

An improving global growth outlook, weather events in the United States, the extension of the OPEC+ agreement to limit oil production, and geopolitical tensions in the Middle East have supported crude oil prices. These have risen by about 20 percent between August 2017 (the reference period for the October 2017 WEO) and mid-December 2017 (the reference period for the January 2018 WEO Update), to over \$60 per barrel, with some further increase as of early January 2018. Markets expect prices to gradually decline over the next 4–5 years—as of mid-December, medium-term price futures stood at about \$54 per barrel, modestly higher than in August. The increase in fuel prices raised headline inflation in advanced economies, but wage and core-price inflation remain weak. Among emerging market economies, headline and core inflation have ticked up slightly in recent months after declining earlier in 2017.

Bond and equity markets:

Market expectations of the path of U.S. Federal Reserve policy rates have shifted up since August, reflecting the well-anticipated December rate hike, but they continue to price in a gradual increase over 2018 and 2019. The Bank of England raised its policy rate for the first time since 2008 in view of diminishing slack in the economy and above-target inflation driven by the past sterling depreciation; the European Central Bank announced that it will taper its net asset purchases starting in January. The ECB intends, however, to maintain policy rates at current historically low levels until after quantitative easing ends and, should inflation underperform, extend the asset purchase program in amount and duration. Bond market reaction to these shifts has been muted, with yield curves tending to flatten as short-term rates have risen more than longer-term rates (e.g., in the United States, United Kingdom, and Canada), consistent with still-subdued market expectations of sustained upside surprises on inflation. Equity prices in advanced economies continued to rally, buoyed by generally favorable sentiment regarding earnings prospects, expectations of a very gradual normalization path for monetary policy in a weak inflation environment, and low expected volatility in underlying fundamentals. Emerging market equity indices have risen further since August, lifted by the improved near-term outlook for commodity exporters. In some cases, long-term yields have inched up in recent months, but they generally remain low, and interest rate spreads remain compressed.

Exchange rates and capital flows:

As of early January 2018, the U.S. dollar and the euro remain close to their August 2017 level in real effective terms. The Japanese yen has depreciated by 5 percent on widening interest differentials, while the sterling has appreciated by close to 4 percent as the Bank of England raised interest rates in November and as expectations of a Brexit deal rose. Capital flows to emerging economies have remained resilient through the third quarter of 2017, with continued strength in non-resident portfolio inflows.

In this scenario we expect the sub-fund SALUS ALPHA SICAV - Salus Alpha Directional Market to excel with good performance due to its ability to balancing risks on a long-short basis.

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Annual directors' report

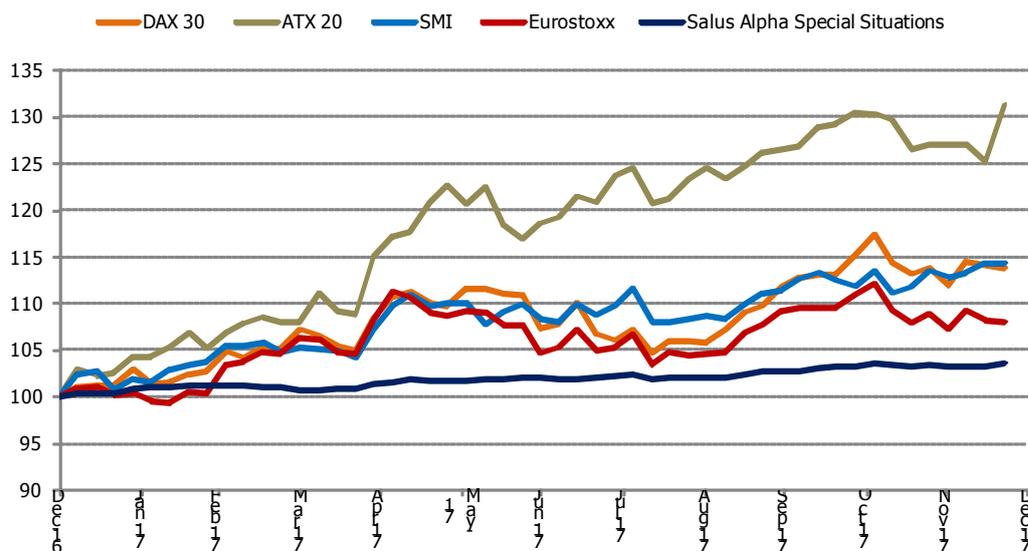
For the year ending December 31, 2017 (continued)

SALUS ALPHA SICAV - Salus Alpha Special Situations

The sub-fund targets to achieve an absolute return independent of the development of the overall equity markets. The sub-fund invests across the capital structure of companies. SALUS ALPHA SICAV - Salus Alpha Special Situations combines a portfolio of selected, fundamentally attractive valued stocks (0% - 30% exposure) with positions in stocks and/ or bonds in short- and medium-termed special situations (0% - 70% exposure). Special situations are for example acquisitions and bidding wars, privatization, Spin-Offs, changes in the capital structure, management changes, share buybacks, director's dealings, IPOs, capital increases, index changes or earnings surprises.

	Returns from 1.1.17 to 31.12.17
SALUS ALPHA SICAV - Salus Alpha Special Situations R EUR	+3.40%
Long-Only Equity Indices:	
ATX	+30.60%
DAX 30	+12.50%
Swiss Market Index SMI	+14.10%
Dow Jones EuroStoxx 50	+6.49%
Hedge Fund Indices:	
Dow Jones Credit Suisse All Hedge Event Driven Index USD*	+4.24%
HFRX Event Driven Index USD	+6.36%
HFRX Special Situations Index USD	+7.58%
Lyxor Special Situations Tracker Fund USD	+9.23%

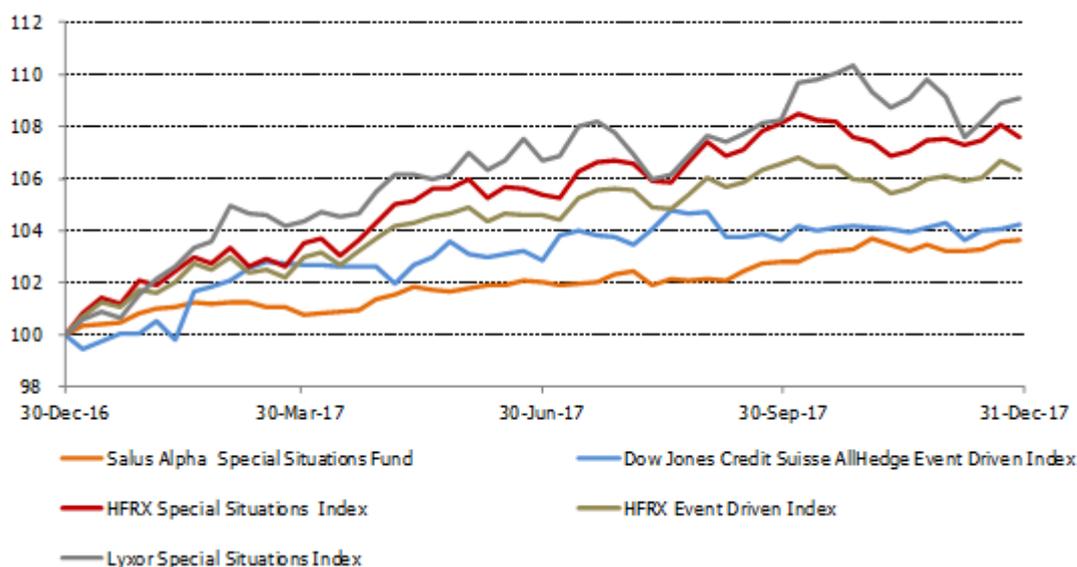
Sub-fund performance review



(Period: 1.1.2017 to 31.12.2017. Source: Salus Alpha, Bloomberg)

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Annual directors' report For the year ending December 31, 2017 (continued)



(Period: 1.1.2017 to 31.12.2017. Source: Salus Alpha, Bloomberg)

The chart above highlights the fact that the Fund performed steadily compared to the benchmark indices. The fund was pretty stable over this period, while we remained cautious and retained our defensive investment strategy with moderate risk profile in the overall Fund portfolio. The Strategies' allocation to the Real estate, Financials (Hybrid banking bonds) and Industrials have performed positively. In terms of portfolio positioning, we are very cautious to our Fixed-income portfolio and hence, positioned early for the major central bank's move to a tighter policy stance. We kept only shorter duration bonds (2 - 4 years) and avoided any longer duration bonds (more 5 years) in our portfolio. The reduction in monetary stimulus could continue to put pressure on bond markets over the next 12 months, in our view. We also held some appropriate-hedges (short position of Euro Bund Future) which helped to hold our bond portfolio performance. In contrast, some equity indexes (the short position of S&P 500) used as hedges weighed on Fund-performance.

Core Portfolio

We maintained our positive view on the long-term growth prospects of Mayr-Melnhof (Europe's leading manufacturer of cartonboard and packaging boxes) as we continue to like the company's reliable return profile and defensive characteristics. Mayr-Melnhof has a solid historical track record of good profitability, dividend payments and strong balance sheet. Due to strong share price performance (+34% in 2017), we sold our entire position in November. While the strength of the business model remains undisputed and the company remains our core defensive play, we currently struggle to identify short-term catalyst.

Special Situations

The Strategy's Special Situations position in a value cyclical technology play, Austria Technologie & Systemtechnik AG (AT&S) rallied more than 140% in 2H 2017 and was the top performer for our Fund during the period. We initiated the position in late July. The investment case offers unique mix of value and growth. Following a burdensome two-year investment cycle targeting new technologies (mSAP and IC substrates), an Austrian circuit board manufacturer (AT&S) is now entering a higher profitability phase of business as its new technologies are being widely adopted driving strong growth and margin expansion. After the massive guidance increase in early October, AT&S reported exceptional 2Q17/18 results, significantly beating market expectations. Although we sold a part of position into share price strength, we remain invested and expect that the ongoing earnings momentum will continue in the 2H 17/18 and next year.

As a restructuring play with deep valuation discount, Austrian car supplier Polytec, proved to be a successful holding. In early August, we bought a position in Polytec Holding AG. The share price of the company rose as much as +82% in FY 2017. The company continues strong earnings momentum with impressive quarterly results (with sustainable profitability). The general market environment of the Automobile industry has remains positive in Europe. We think the main triggers for the compelling margin improvement during the recent two years

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Annual directors' report

For the year ending December 31, 2017 (continued)

includes lean management programme, continuous restructuring (shifting parts of production from Germany to Czech Republic), innovation efforts (development of innovative, high margin products) and Ebensee turnaround (efficiency measures). However, towards the end of the period we sold our entire position into share price rally. Our medium-sized Special Situations position in an Austrian specialty steelmaker, Voestalpine AG, rallied +37% in FY2017 and delivered strong performance to the Fund's performance. The Austrian steel group continues to benefit from favourable steel market conditions in Europe and worldwide. The company reported impressive quarterly results, mainly driven by better steel margins. Voestalpine remains the best-in-class steel producer in Europe with a strong FCF profile in the years ahead due to the limited steel capex needs for the next five years. We believe, the current strong momentum should give management scope for material increases in shareholder returns (to the upper end of the 3%- 4% dividend target range) in FY2017. However, during November we sold our position at good price levels and contributed significantly to the Fund's performance. We stick to the Fund's Special Situations in a deep value restructuring play, Warimpex Finanz-und Beteiligungs AG (a real estate investment and development company with a special focus on hotel and office properties in Eastern Europe and Russia), has rallied +85% in the year. In the short-term, Warimpex's share price is geared to management's success in restoring a healthy balance sheet and establishing a stronger cash flow profile. The investment case offers positive earnings momentum, improved fundamentals and most importantly, the gearing of the group is on a much comfortable level now. After the closing of eight hotel transactions in 2Q 2017 the management is upbeat about its three office developments under construction in Poland. Furthermore, the company's comfortable financial position should allow for future dividend payments or a potential share buyback.

During the year, we realized rewarding Special Situations in an M&A deal. In early March 2017, we took a medium-sized position in German pharmaceutical company, Stada Arzneimittel AG (at EUR 56.9) after the company revealed that it had received two takeover offers, one from Cinven Partners (at EUR 56.0/share) and another from Advent International (at EUR 58.0/share plus dividends). However, Stada rejected it as indicative bids do not yet reflect the company's fundamental value. Subsequently, Bain/Cinven had proposed an attractive offer of EUR 66.0/share, comprising a EUR 65.28 offer price plus an expected EUR 0.72 dividend. The other consortium, Advent/Permira had also apparently made an offer, but the Bain/Cinven one appeared more attractive and won a Stada board support. However, the deal failed after Bain/Cinven failed to reach a minimum acceptance threshold of 75%. Nevertheless, Bain/Cinven had announced a new takeover offer at EUR 66.25 (up from EUR 66.0), with revised acceptance rate of 63%. Thus, finally the deal goes through with support of 65.5% Stada shareholders. The share price rallied +17% since our entry levels and thus, the position contributed significantly to the Fund's performance.

The Austrian banks continued to benefit from Central, Eastern European (CEE) recovery. The Fund's position in a Raiffeisen Bank International (RBI) has made significant performance. The share price of the Austrian banking group rose as much as +74% in FY2017. RBI has reported very impressive quarterly results with an improved earnings outlook. As one of the largest financial institutions in CEE region, RBI has restructured and positioned for a rebound. The restructuring was seen as a way to simplify the business and strengthen the bank's capital position. The bank targets a common equity Tier 1 (CET1) capital ratio to 13% in the medium term and an NPL ratio of around 8% by the end of the year. The Strategies' hybrid banking bond positions in 6.125% Raiffeisen Bank International (RBI), 8.875% Erste Group Bank AG and 6.5% Erste Group Bank have contributed positively to the Fund's performance. Furthermore, Moody's Investors Service upgraded Erste Group Bank (EGB) and Raiffeisen Bank International (RBI) credit ratings and assigned stable/positive outlook.

While by the end of 1H 2017, we sold our Austrian property/construction stocks, Immofinanz, Conwert Immobilien, Strabag and Palfinger as a measure of risk reduction in the overall portfolio. As Fed continues to normalize its monetary policy, we have increased our risk exposure to the Financials (due to consistent sector rotation, away from defensive sector into Financials). After a strong share price performance (+15% since our entry level), we sold our position in CA Immobilien Anlagen AG in May 2017 and thus, contributed positively to the Fund's performance. The Austrian real estate company offers unique exposure to commercial real estate development in Germany through its huge German land bank located in attractive key city centers in Munich, Berlin and Frankfurt. Furthermore, we also sold Strabag and Immofinanz in June as prices were higher by +11% and 18% since our entry levels. Immofinanz had announced another share buyback program in March 2017. While the Austrian crane manufacturer, Palfinger AG delivered strong earnings momentum. However, we sold the entire position in February after the stock has achieved our price target (+20% since our entry price).

The Strategies' positions in the Financials (banking stocks and corporate bond holdings in banks and insurance companies) have performed positively in the early phase of the year. The Fund's equity positions in UNIQA Versicherungen and Vienna Insurance (Austrian insurers) were rallied significantly before we closed them.

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Annual directors' report For the year ending December 31, 2017 (continued)

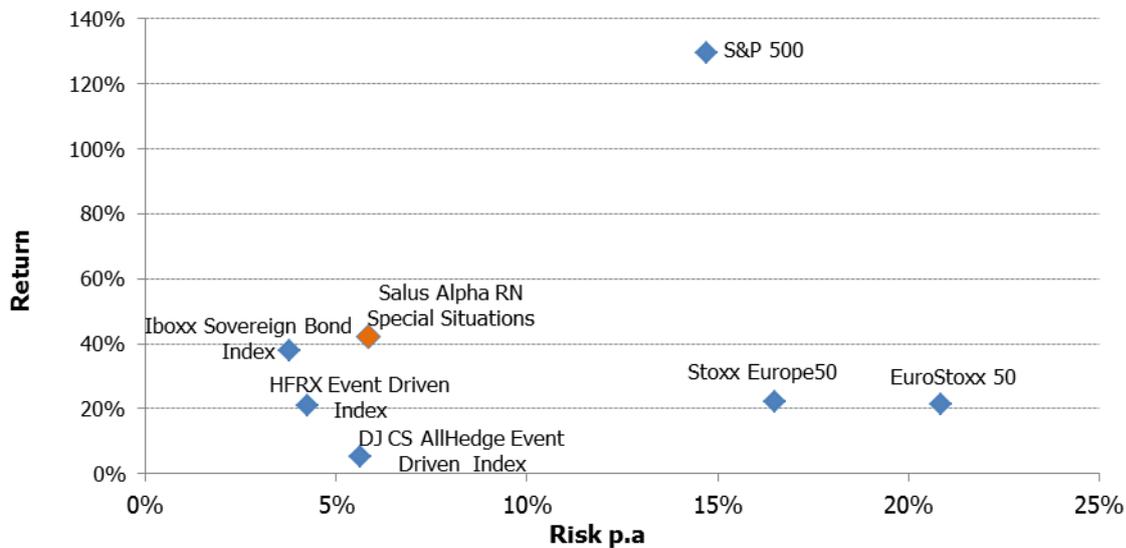
In early February, we took part in Agrana's cash capital increase and secondary placement offer and have allocated a medium sized position at the offer price of EUR 100.0. The group's business has been characterized by strong free cash flow generation and an attractive dividend policy, which we find very shareholder friendly. However, we sold our position after significant share price rally in the 1H 2017.

During the period, we also participated in new subordinated bond issuance of 4.25% Baywa AG and 7% Grenke AG. Both position rose by 8% and 13% respectively and thus, attributed positively to the Fund's annual performance. Baywa AG is a Germany-based leading agricultural trading company with a strong foothold in the co-operative sector. While Grenke is a unique and highly profitable German leasing company.

On the downside, our holdings in Immofinanz AG did show negative performance towards the end of the year. The share price of Austrian real estate company dropped as Russian exit hits company's Q3 2017 results (a negative valuation effect of EUR -157.8mn was recognized in the Q3). While, the Fund's short positions in equity indices (the short position of S&P 500) used as hedges weighed on the overall performance during the period.

The graph below shows the compelling long term risk/reward profile of the SALUS ALPHA SICAV - Salus Alpha Special Situations Fund in comparison with other hedge fund indices, government bonds and long only Equities benchmarks:

Salus Alpha RN Special Situations - Risk/Return Plot



(Period: 1.1.2017 to 31.12.2017. Source: Salus Alpha, Bloomberg.)

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Annual directors' report For the year ending December 31, 2017 (continued)

Outlook

Global economic growth should remain strong in 2018, as both advanced and emerging economies enjoy a synchronized upturn. The global earnings recovery appears well-entrenched and key central banks are turning only gradually toward monetary tightening. The solid US economic data confirmed that the economy is growing at robust pace. While the economic backdrop for the Eurozone also remained bright. Forward-looking economic indicators pointed to ongoing strong momentum. Corporate capital expenditure should become a more prominent growth driver.

However, financial assets are fully valued in most regions. With the US economy running at full capacity, fiscal stimulus will also increase the upside potential for inflationary pressures. Thus, we think, the market-friendly combination of low-inflation and stronger-growth environment (which we have seen in 2017) being replaced by a more conventional deflation environment. Furthermore, the risk of higher inflation can provoke a faster pace of US interest rate increases than the 3 being currently envisioned at the FOMC. The US Fed has already started to reduce its balance sheet, while the ECB is expected to have finished its asset purchase program by the end of September this year. Although the Bank of Japan (BoJ) will continue to intervene, overall global liquidity growth is set to slow significantly over the next two years, which could have increased the probability of a global slowdown. The return of political risk is another theme for 2018. The general election in Italy, the US mid-term elections and ongoing Brexit issues in the UK will pose potential downside risks. Other significant risks include geopolitical tensions over North Korea, international terrorism and the proxy wars in the Middle East. Thus, we continue to be cautiously positioned and are trying to use market corrections for buying first class quality, but we don't shy away from selling again in order to lock-in profits.

Our investment process will continue to focus on high-quality companies which are easy-to-understand and characterized by successfully established business models. We are confident in the fundamental strength of our portfolio and believe that it will serve our investors well in the current environment. We believe our discerning investment approach and focus on quality should continue to reward our investors over the long term. On the Special Situations side, we acknowledge a strong improvement in the global M&A activity, a fact, which we hope will continue to offer investment opportunities with excellent risk/reward profile.

Risk Management

The Company is exposed to a variety of financial risks as a result of its activities. These risks include market risk, liquidity risk, counterparty risk, operational risk, credit risk, compliance risk and concentration risk. For a description of other relevant risk factors, please refer to the current prospectus of the Company.

The Fund is required by applicable laws and regulations to ensure that the sub-funds' global exposure relating to derivative instruments does not exceed the total net value of its portfolio. The risk exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions. According to ESMA Guideline 10-788, the global exposure may be calculated through the commitment approach or through the Value-at-Risk ("VaR") methodology. The commitment approach is based, in part, on the principle of converting the exposure to derivative instruments into equivalent positions of the underlying assets and quantifying the exposure in absolute value of the total commitments (which may account for coverage and netting). VaR provides a measure of the potential loss that could arise over a given time interval under normal market conditions, and with a given probability, defined as confidence level. Please refer to the relevant appendix to see which methodology each sub-fund uses to calculate its global exposure.

Remuneration

The remuneration policy can be found on www.salusalphabet-sicav.com.



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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of SALUS ALPHA SICAV (“the Fund”) and each of its sub-funds, which comprise the statement of net assets and the securities portfolio as at December 31, 2017 and the statement of operations and changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of SALUS ALPHA SICAV and each of its sub-funds as at December 31, 2017, and of the results of their operations and changes in their net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

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 the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of “Réviseur d’Entreprises agréé” for the Audit of the Financial Statements » section of our report. We are also 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, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our report of Réviseur d’Entreprises agréé thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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 this fact. We have nothing to report in this regard.



Responsibilities of Board of Directors of the Fund for the financial statements

The Board of Directors of the Fund 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 Fund 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 Fund 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 Fund 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 a report of "Réviseur d'Entreprises agréé" 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 skepticism 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 Fund.
- Conclude on the appropriateness of Board of Directors of the Fund'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 report of "Réviseur d'Entreprises agréé" 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 report of "Réviseur d'Entreprises agréé". 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.

Luxembourg, May 23, 2018

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

A handwritten signature in black ink, appearing to read 'Patrice Perchon', written over the printed name below.

Patrice Perchon

SALUS ALPHA SICAV
Combined
Financial Statements as at 31/12/17

Statement of net assets as at 31/12/17

Expressed in EUR

Assets		18,076,789.62
Securities portfolio at market value	Note 2.2	14,840,511.55
Cash at banks and other liquid assets		2,727,888.13
Interest receivable	Note 2.4	177,675.62
Formation expenses	Note 2.5	8,943.22
Brokers receivable		315,843.93
Subscriptions receivable		527.17
Dividends receivable	Note 2.4	5,400.00
Liabilities		210,863.14
Bank overdrafts		7,764.23
Unrealised loss on futures contracts	Note 2.7	5,138.54
Other liabilities		197,960.37
Net assets		17,865,926.48

SALUS ALPHA SICAV Combined

Statement of operations and changes in net assets from 01/01/17 to 31/12/17

Expressed in EUR

Income		543,719.16
Net dividends	Note 2.4	59,296.61
Net interest on bonds	Note 2.4	482,795.77
Other financial income		1,626.78
Expenses		922,285.28
Amortisation of formation expenses	Note 2.5	14,599.67
Management fees	Note 3	281,926.57
Depositary fees		11,159.01
Taxe d'abonnement	Note 4	7,883.69
Administrative expenses		61,261.88
Performance fees	Note 3	127,695.94
Professional fees		21,645.00
Bank interest on overdrafts		9,564.54
Legal fees		13,481.46
Transaction fees	Note 2.6	49,908.36
Other expenses	Note 5	323,159.16
Net loss from investments		-378,566.12
Net realised gain / loss on:		
- securities portfolio	Note 2.3	675,404.25
- financial futures	Note 2.7	-71,665.12
- foreign exchange	Note 2.8	-7,651.17
Realised result		217,521.84
Movement in net unrealised gain / loss on:		
- securities portfolio	Note 2.9	216,705.21
- futures contracts	Note 2.9	5,066.63
Increase in net assets as a result of operations		439,293.68
Subscription capitalisation shares		5,440,694.42
Redemption capitalisation shares		-2,318,466.52
Increase in net assets		3,561,521.58
Net assets at the beginning of the year		14,304,404.90
Net assets at the end of the year		17,865,926.48

SALUS ALPHA SICAV - Salus Alpha Global Risk Parity

Financial statements as at 31/12/17

Statement of net assets as at 31/12/17

Expressed in EUR

Assets		100,387.89
Cash at banks and other liquid assets		99,717.78
Formation expenses	Note 2.5	670.11
Liabilities		8,622.75
Other liabilities		8,622.75
Net assets		91,765.14

Changes in number of shares outstanding from 01/01/17 to 31/12/17

	Shares outstanding as at 01/01/17	Shares issued	Shares redeemed	Shares outstanding as at 31/12/17
F Shares				
Capitalisation shares	10,000.000	0.000	0.000	10,000.000

Key figures

	<i>Year/Period ending as at:</i>	31/12/2017	31/12/2016	31/12/2015
Total Net Assets	EUR	91,765.14	96,470.92	100,000.00
F Shares		EUR	EUR	EUR
Capitalisation shares				
Number of shares		10,000.000	10,000.000	10,000.000
Net asset value per share		9.18	9.65	10.00

SALUS ALPHA SICAV - Salus Alpha Global Risk Parity
Statement of operations and changes in net assets from 01/01/17 to 31/12/2017

Expressed in EUR

Expenses		4,705.78
Amortisation of formation expenses	Note 2.5	4,297.62
Bank interest on overdrafts		405.31
Other expenses	Note 5	2.85
Net loss from investments		-4,705.78
Realised result		-4,705.78
Decrease in net assets as a result of operations		-4,705.78
Decrease in net assets		-4,705.78
Net assets at the beginning of the year		96,470.92
Net assets at the end of the year		91,765.14

SALUS ALPHA SICAV - Salus Alpha Directional Markets

Financial statements as at 31/12/17

Statement of net assets as at 31/12/17

Expressed in EUR

Assets		1,254,090.75
Securities portfolio at market value	Note 2.2	1,058,562.80
Cash at banks and other liquid assets		179,737.09
Interest receivable	Note 2.4	14,084.28
Formation expenses	Note 2.5	1,480.01
Subscriptions receivable		226.57
Liabilities		58,028.50
Bank overdrafts		5,744.75
Unrealised loss on futures contracts	Note 2.7	4,237.44
Other liabilities		48,046.31
Net assets		1,196,062.25

Changes in number of shares outstanding from 01/01/17 to 31/12/17

	Shares outstanding as at 01/01/17	Shares issued	Shares redeemed	Shares outstanding as at 31/12/17
F Shares				
Capitalisation shares	10,000.000	0.000	0.000	10,000.000
R Shares				
Capitalisation shares	133,353.633	6,348.157	21,116.368	118,585.422

Key figures

	<i>Year/Period ending as at:</i>	31/12/2017	31/12/2016	31/12/2015
Total Net Assets	EUR	1,196,062.25	1,353,469.22	100,000.00
F Shares		EUR	EUR	EUR
Capitalisation shares				
Number of shares		10,000.000	10,000.000	10,000.000
Net asset value per share		10.13	10.10	10.00
R Shares		EUR	EUR	EUR
Capitalisation shares				
Number of shares		118,585.422	133,353.633	0.000
Net asset value per share		9.23	9.39	0.00

SALUS ALPHA SICAV - Salus Alpha Directional Markets

Securities portfolio as at 31/12/17

Expressed in EUR

Quantity	Denomination	Quotation currency	Market value	% of net assets
Transferable securities admitted to an official stock exchange listing and/or dealt in on another regulated market			1,058,562.80	88.50
Shares			101,867.54	8.52
<i>Austria</i>			<i>101,867.54</i>	<i>8.52</i>
395.00	CA-IMMOBILIEN-ANLAGEN AG	EUR	10,192.98	0.85
272.00	ERSTE GROUP BANK AG	EUR	9,820.56	0.82
191.00	OMV AG	EUR	10,090.53	0.84
335.00	RAIFFEISEN BANK INTERNATIONAL-HOLDING AG	EUR	10,117.00	0.85
126.00	SCHOELLER BLECKMANN OILFIELD EQUIPMENT	EUR	10,710.00	0.90
696.00	SPARKASSEN IMMOBILIEN	EUR	11,240.40	0.93
1,235.00	TELEKOM AUSTRIA AG	EUR	9,545.32	0.80
1,119.00	UNIQA VERSICHERUNG AG	EUR	9,869.58	0.83
502.00	VERBUND AG	EUR	10,112.79	0.85
204.00	VOESTALPINE AG	EUR	10,168.38	0.85
Bonds			956,695.26	79.98
<i>Portugal</i>			<i>584,994.26</i>	<i>48.90</i>
1,000.00	PORTUGAL 2.20 15-22 17/10A	EUR	1,085.11	0.09
1,000.00	PORTUGAL 3.85 05-21 15/04A	EUR	1,125.57	0.09
175,000.00	PORTUGAL 4.45 08-18 15/06A	EUR	178,825.50	14.95
245,000.00	PORTUGAL REGS 5.125 14-24 15/10S	USD	219,659.39	18.36
171,000.00	PORTUGUESE OT'S 4.75 09-19 14/06A	EUR	183,180.33	15.32
1,000.00	PORTUGUESE OT'S 4.80 10-20 15/06A	EUR	1,118.36	0.09
<i>Germany</i>			<i>198,432.30</i>	<i>16.59</i>
100,000.00	DEUTSCHE PFANDBRIEF 1.125 16-20 27/04A	EUR	102,216.00	8.55
90,000.00	VW LEASING GMBH 2.125 14-22 04/04A	EUR	96,216.30	8.04
<i>Italy</i>			<i>100,541.00</i>	<i>8.41</i>
100,000.00	ITALIE 0.45 16-21 01/06S	EUR	100,541.00	8.41
<i>France</i>			<i>72,727.70</i>	<i>6.08</i>
20,000.00	MFINANCE FRANCE 2.00 14-21 26/11A	EUR	21,241.20	1.78
50,000.00	MFINANCE FRANCE EMTN 2.375 14-19 01/04A	EUR	51,486.50	4.30
Total securities portfolio			1,058,562.80	88.50

SALUS ALPHA SICAV - Salus Alpha Directional Markets
Statement of operations and changes in net assets from 01/01/17 to 31/12/2017

Expressed in EUR

Income		39,409.78
Net dividends	Note 2.4	6,654.41
Net interest on bonds	Note 2.4	31,128.59
Other financial income		1,626.78
Expenses		119,289.46
Amortisation of formation expenses	Note 2.5	4,419.49
Management fees	Note 3	22,466.60
Depositary fees		800.20
Taxe d'abonnement	Note 4	622.09
Administrative expenses		16,000.33
Performance fees	Note 3	2,694.11
Professional fees		2,061.94
Bank interest on overdrafts		400.60
Legal fees		1,215.53
Transaction fees	Note 2.6	2,039.09
Other expenses	Note 5	66,569.48
Net loss from investments		-79,879.68
Net realised gain / loss on:		
- securities portfolio	Note 2.3	42,574.56
- futures contracts	Note 2.7	49,767.57
- foreign exchange	Note 2.8	-4,008.29
Realised result		8,454.16
Movement in net unrealised gain / loss on:		
- securities portfolio	Note 2.9	-20,905.53
- futures contracts	Note 2.9	-4,782.27
Decrease in net assets as a result of operations		-17,233.64
Subscription capitalisation shares		59,722.46
Redemption capitalisation shares		-199,895.79
Decrease in net assets		-157,406.97
Net assets at the beginning of the year		1,353,469.22
Net assets at the end of the year		1,196,062.25

SALUS ALPHA SICAV - Salus Alpha Special Situations

Financial statements as at 31/12/17

Statement of net assets as at 31/12/17

Expressed in EUR

Assets		16,722,310.98
Securities portfolio at market value	Note 2.2	13,781,948.75
Cash at banks and other liquid assets		2,448,433.26
Interest receivable	Note 2.4	163,591.34
Formation expenses	Note 2.5	6,793.10
Brokers receivable		315,843.93
Subscriptions receivable		300.60
Dividends receivable	Note 2.4	5,400.00
Liabilities		144,211.89
Bank overdrafts		2,019.48
Unrealised loss on futures contracts	Note 2.7	901.10
Other liabilities		141,291.31
Net assets		16,578,099.09

Changes in number of shares outstanding from 01/01/17 to 31/12/17

	Shares outstanding as at 01/01/17	Shares issued	Shares redeemed	Shares outstanding as at 31/12/17
F Shares				
Capitalisation shares	10,000.000	0.000	0.000	10,000.000
R Shares				
Capitalisation shares	929,116.380	316,198.432	152,200.004	1,093,114.808
P Shares				
Capitalisation shares	0.000	9,400.459	0.000	9,400.459

SALUS ALPHA SICAV - Salus Alpha Special Situations

Key figures

	<i>Year/Period ending as at:</i>	31/12/2017	31/12/2016	31/12/2015
Total Net Assets	EUR	16,578,099.09	12,854,464.76	100,000.00
F Shares				
		EUR	EUR	EUR
Capitalisation shares				
Number of shares		10,000.000	10,000.000	10,000.000
Net asset value per share		10.92	10.27	10.00
R Shares				
		EUR	EUR	EUR
Capitalisation shares				
Number of shares		1,093,114.808	929,116.380	0.000
Net asset value per share		14.19	13.72	0.00
P Shares				
		EUR	EUR	EUR
Capitalisation shares				
Number of shares		9,400.459	0.000	0.000
Net asset value per share		101.66	0.00	0.00

SALUS ALPHA SICAV - Salus Alpha Special Situations

Securities portfolio as at 31/12/17

Expressed in EUR

Quantity	Denomination	Quotation currency	Market value	% of net assets
Transferable securities admitted to an official stock exchange listing and/or dealt in on another regulated market			13,781,948.75	83.13
Shares			1,706,579.66	10.29
<i>Austria</i>				
6,068.00	AT & S AUSTRIA TECH	EUR	1,307,938.20	7.89
10,000.00	BUWOG AG	EUR	142,840.72	0.86
100,000.00	IMMOFINANZ	EUR	287,500.00	1.73
2,300.00	MAYR-MELNHOF KARTON AG	EUR	214,700.00	1.30
4,000.00	MAYR-MELNHOF KARTON AG	EUR	281,750.00	1.70
800.00	RAIFFEISEN BANK INTERNATIONAL-HOLDING AG	EUR	120,800.00	0.73
5,000.00	STRABAG SE	EUR	27,224.00	0.16
72,936.00	VIENNA INSURANCE GROUP AG	EUR	128,825.00	0.78
	WARIMPEX FINANZ- BETEILIGUNGS AG	EUR	104,298.48	0.63
<i>Jersey Island</i>			332,000.00	2.00
80,000.00	ATRIUM EUROPEAN REAL ESTATE	EUR	332,000.00	2.00
<i>Germany</i>			66,641.46	0.40
2,078.00	BAYWA VINKULIERTE NAMEN-AKTIE	EUR	66,641.46	0.40
Bonds			5,126,353.86	30.92
<i>Austria</i>			4,497,042.86	27.12
350,000.00	ALPINE HOLDING GMB 6.00 12-17 22/05A	EUR	1,512.00	0.01
400,000.00	ANDRITZ 3.875 12-19 09/07A	EUR	421,940.00	2.55
100,000.00	BEST IN PARKING KONZ 3.375 16-23 02/02A	EUR	106,459.00	0.64
500,000.00	BOREALIS AG 4.000 12-19 02/07A	EUR	528,575.00	3.19
200,000.00	CA IMM ANLAGEN 1.875 16-21 12/07A	EUR	208,674.00	1.26
350,000.00	CA IMM ANLAGEN 2.75 15-22 17/02A	EUR	375,119.50	2.26
250,000.00	CROSS INDUSTRIES A 4.625 12-18 05/10A	EUR	258,562.50	1.56
300,000.00	EGGER HOLZWERKSTOF 4.5 12-19 01/10A	EUR	320,787.00	1.94
400,000.00	MIBA AG 4.5 12-19 27/02A	EUR	418,146.00	2.52
250,000.00	PORR AG 3.875 14-19 28/10A	EUR	261,921.25	1.58
150,000.00	S IMMO AG 3.00 14-19 03/10A	EUR	156,066.75	0.94
100,000.00	TELEKOM FINANZ 3.125 13-21 03/12A	EUR	111,299.00	0.67
750,500.00	UBM DEVELOPMENT AG 4.875 14-19 09/07A	EUR	787,435.86	4.74
500,000.00	WIENERBERGER 4.00 13-20 17/04A	EUR	540,545.00	3.26
<i>Germany</i>			527,085.00	3.18
500,000.00	FRESENIUS US FIN REGS 4.25 12-19 15/04S	EUR	527,085.00	3.18
<i>The Netherlands</i>			102,226.00	0.62
100,000.00	METALCORP GROUP BV 8.75 13-18 27/06A	EUR	102,226.00	0.62
Floating rate bonds			6,949,015.23	41.92
<i>Austria</i>			4,922,196.23	29.69
500,000.00	AUSTRIA T&S AG FL.R 17-XX 24/11A	EUR	503,845.00	3.04
400,000.00	ERSTE GROUP BANK AG FL.R 16-XX 15/10S	EUR	489,964.00	2.96
200,000.00	ERSTE GROUP BK SUB FL.R 17-XX 15/04S	EUR	232,454.00	1.40
650,000.00	PORR AG FL.R 14-49 28/10A	EUR	735,965.75	4.44
600,000.00	RAIFFEISEN BANK SUB FL.R 17-XX 15/12S	EUR	650,562.00	3.92
350,000.00	UNICREDIT BK AUSTRIA FL.R 14-20 15/09Q	EUR	363,335.00	2.19
300,000.00	UNIQA INSU GR AG EMTN FL.R 13-43 31/07A	EUR	377,298.00	2.28
200,000.00	VIENNA INS GRP AGW FL.R 13-43 09/10A	EUR	243,148.00	1.47
450,000.00	VIENNA INSURANCE G FL.R 08-49 12/09A	EUR	479,250.00	2.89
772,000.00	VOESTALPINE AG FL.R 13-49 31/10A	EUR	846,374.48	5.10
<i>Germany</i>			1,423,600.00	8.59
200,000.00	ALLIANZ SE FL.R 13-XX 24/10A	EUR	238,154.00	1.44
400,000.00	BAYER SUB FL.R 14-75 01/07A	EUR	420,380.00	2.54
500,000.00	BAYWA AG FL.R 17-XX 11/10A	EUR	538,690.00	3.24
200,000.00	GRENKE FL.R 17-XX 31/03A	EUR	226,376.00	1.37
<i>France</i>			301,971.00	1.82
300,000.00	TOTAL CAPITAL SA FL.R 14-20 19/03Q	EUR	301,971.00	1.82
<i>The Netherlands</i>			301,248.00	1.82
300,000.00	SUEDZUCKER INT FINANCE FL.R 05-XX 30/06A	EUR	301,248.00	1.82
Total securities portfolio			13,781,948.75	83.13

SALUS ALPHA SICAV - Salus Alpha Special Situations
Statement of operations and changes in net assets from 01/01/17 to 31/12/2017

Expressed in EUR

Income		504,309.38
Net dividends	Note 2.4	52,642.20
Net interest on bonds	Note 2.4	451,667.18
Expenses		798,290.04
Amortisation of formation expenses	Note 2.5	5,882.56
Management fees	Note 3	259,459.97
Depositary fees		10,358.81
Taxe d'abonnement	Note 4	7,261.60
Administrative expenses		45,261.55
Performance fees	Note 3	125,001.83
Professional fees		19,583.06
Bank interest on overdrafts		8,758.63
Legal fees		12,265.93
Transaction fees	Note 2.6	47,869.27
Other expenses	Note 5	256,586.83
Net loss from investments		-293,980.66
Net realised gain / loss on:		
- securities portfolio	Note 2.3	632,829.69
- financial futures	Note 2.7	-121,432.69
- foreign exchange	Note 2.8	-3,642.88
Realised result		213,773.46
Movement in net unrealised gain / loss on:		
- securities portfolio	Note 2.9	237,610.74
- futures contracts	Note 2.9	9,848.90
Increase in net assets as a result of operations		461,233.10
Subscription capitalisation shares		5,380,971.96
Redemption capitalisation shares		-2,118,570.73
Increase in net assets		3,723,634.33
Net assets at the beginning of the year		12,854,464.76
Net assets at the end of the year		16,578,099.09

SALUS ALPHA SICAV

**Notes to the financial statements - Schedule of derivative
instruments**

SALUS ALPHA SICAV

FUTURES

As at 31/12/17, the following future contracts were outstanding :

SALUS ALPHA SICAV - Salus Alpha Directional Markets

Quantity (purchase/(sale))	Denomination	Currency	Commitment (in EUR) (in absolute value)	Unrealised (in EUR)	Broker
Futures on interest rates					
-3	EURO SCHATZ FUTURE 03/18	EUR	335,925.00	-45.00	CACEIS Bank, Paris
				-45.00	
Futures on bonds					
8	EURO BUND FUTURE 03/18	EUR	1,293,440.00	-9,400.00	CACEIS Bank, Paris
-3	US 10 YEARS NOTE 03/18	USD	309,910.58	1,014.95	CACEIS Bank, Paris
-3	US 5 YEARS NOTE-CBT 03/18	USD	290,216.68	1,327.24	CACEIS Bank, Paris
				-7,057.81	
Futures on index					
1	FTSE 100 INDEX 03/18	GBP	86,047.43	1,746.18	CACEIS Bank, Paris
2	MDAX INDEX (EUREX) 03/18	EUR	261,290.00	-1,675.00	CACEIS Bank, Paris
4	NASDAQ 100 E-MINI 03/18	USD	426,965.36	1,865.42	CACEIS Bank, Paris
1	S&P 500 EMINI INDEX 03/18	USD	111,425.72	920.22	CACEIS Bank, Paris
2	SWISS MARKET INDEX 03/18	CHF	158,424.13	8.55	CACEIS Bank, Paris
				2,865.37	

SALUS ALPHA SICAV - Salus Alpha Special Situations

Quantity (purchase/(sale))	Denomination	Currency	Commitment (in EUR) (in absolute value)	Unrealised (in EUR)	Broker
Futures on bonds					
-5	EURO BUND FUTURE 03/18	EUR	808,400.00	3,700.00	CACEIS Bank, Paris
				3,700.00	
Futures on index					
-5	S&P 500 EMINI INDEX 03/18	USD	557,128.58	-4,601.10	CACEIS Bank, Paris
				-4,601.10	

SALUS ALPHA SICAV

Other Notes to the financial statements for the year ended December 31, 2017

Note 1 - General

SALUS ALPHA SICAV (the “Fund”) is a company organised as an open-ended investment company with variable capital (*société d’investissement à capital variable*) set up as a public limited liability company and registered in the Grand Duchy of Luxembourg as an Undertaking for Collective Investment in Transferable Securities (“UCITS”) pursuant to Part I of the Luxembourg law of December 17, 2010.

The Fund was incorporated on February 15, 2013 for unlimited duration and is registered with the *Registre de Commerce et des Sociétés*, Luxembourg under number RCS B175 421. It was registered in the official list of collective investment funds of the *Commission de Surveillance du Secteur Financier* with effective date on December 15, 2015.

The Fund is an umbrella fund and as such can operate separate sub-funds, each of which being represented by one or more classes of shares.

As at December 31, 2015 the Fund had issued 30,000.00 F Shares classes (10,000.00 per sub-fund).

As at December 31, 2017, the R shares class and the P shares class for these two sub-funds are available for subscriptions:

- SALUS ALPHA SICAV - Salus Alpha Directional Markets
- SALUS ALPHA SICAV - Salus Alpha Special Situations

The Fund’s financial year starts on January 1st and ends on December 31st each year.

Note 2 - Summary of significant accounting policies

2.1 Presentation of the financial statements

The financial statements are prepared in accordance with legal and regulatory requirements relating to undertakings for collective investments and generally accepted accounting principles in Luxembourg.

2.2 Valuation of assets

The value of the cash in hand or on deposit, the bills and promissory notes payable at sight and the accounts receivable, the prepaid expenses, dividends and interest declared or due but not yet received shall consist of their nominal value, unless it proves unlikely that this value can be obtained. If this should be the case, the value of these assets will be determined by deducting an amount in good faith pursuant to the procedures established by the Board of Directors of the Fund;

Securities quoted on an official stock exchange or another regulated market which operates regularly and is recognised and open to the public, are valued on the basis of the latest available price known on the calculation date, unless said price is not representative; if the security in question is quoted on several markets, it is valued on the basis of the price on the main market. If the price is not representative, the valuation shall be based on the last known price, if this is also not representative, the valuation shall be determined prudently and in good faith pursuant to procedures established by the Board of Directors of the Fund;

All other securities not quoted on an official stock exchange or another regulated market which operates regularly and is recognised and open to the public, or any other asset that is quoted but its price is not representative, is valued at fair market value as determined in good faith pursuant to the procedures established by the Board of Directors of the Fund. If no fair values are available or only inadequate fair values are available, the value of the assets will be determined prudently and in good faith pursuant to procedures established by the Board of Directors of the Fund.

Investments in other UCITS are valued on the basis of the latest available net asset value.

2.3 Net realised gains losses on sales of securities

The net realised gains losses on sales of securities are determined on the basis of the average cost of the securities sold and are recorded in the statement of operations and changes in net assets.

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Other Notes to the financial statements (continued) for the year ended December 31, 2017

Note 2 - Summary of significant accounting policies (continued)

2.4 Income

Dividends are accounted at the ex-date. Interest is accounted on a prorata temporis basis.

2.5 Formation expenses

Expenses in connection with the incorporation of the Fund and the launch of R and P shares class of various sub-funds are amortised on a straight line basis over maximum five years period.

2.6 Transaction fees

The transaction fees, i.e. fees charged by the brokers and the Depositary agent for securities transactions and similar transactions, are recorded separately in the statement of operations and other changes in net assets under the caption "Transaction fees".

2.7 Futures contracts

Futures contracts are posted off-balance sheet and valued at their last known price on the stock exchanges or regulated markets for that purpose. The unrealised gain or loss is disclosed in the statement of net assets. Realised gains or losses and changes in unrealised gains or losses are disclosed in the statement of operations and changes in net assets.

2.8 Conversion of foreign currencies

Transactions in other currencies than currency of the sub-fund are recorded in the currency of the sub-fund based on the exchange rates in effect on the date of the transactions. Assets and liabilities denominated in other currencies than currency of the sub-fund are translated at the rate of exchange ruling at each balance sheet date. Exchange gains and losses are disclosed in the statement of operations and changes in net assets.

The following exchange rate was used by the Fund as at December 31, 2017:

1 EUR =	1.20080 USD
1 EUR =	1.17015 CHF
1 EUR =	0.88765 GBP

2.9 Movement in net unrealised gain/loss

In accordance with current practices, movement in net unrealised gain/loss at the end of the financial year is accounted for in the financial statements.

2.10 Combined statements

The various items appearing in the combined financial statements of the Fund are equal to the sum of the corresponding items in the financial statements of each sub-fund and are drawn up in EUR.

Note 3 - Management and performance fees

Management fees:

Salus Alpha Capital Ltd, the Investment Manager, is entitled to receive a management fee per annum, accrued on each Valuation Day and payable monthly in arrears out of the assets of each class of share. The management fee is based on the average net assets of each sub-fund at a maximum rate of 1.25% for the F and P Shares class and 1.90% for the R Shares class.

Performance fees:

In addition to the management fee, the Investment Manager is entitled to a performance fee which is calculated on each Valuation Date on the basis of the net asset value of the relevant class of share and paid quarterly. The performance fee may only be levied and set aside if the following criterion is fulfilled: the net asset value of a class of share used in the calculation of a performance fee must be greater than previous net asset values ("High Water Mark"). Each preceding decline in the net asset value per share of the relevant class of share must be offset by a further increase above the last maximum value at which a performance fee was incurred. Calculation of the performance fee and the necessary provisioning takes place on each Valuation Date. If, on the Valuation Date, the net asset value of a class of share is greater than the preceding net asset values (prior to deduction of

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Other Notes to the financial statements (continued) for the year ended December 31, 2017

the performance fee), a performance fee at the rate of 20% shall be deducted on the difference between the net asset value of the class of share and the High Water Mark.

For the year under review, the total performance fees amounted to EUR 127,695.94.

Note 4 - Subscription tax ("taxe d'abonnement")

The Fund is subject in Luxembourg to a subscription tax levied at the rate of 0.05% per annum based on the net asset value of the Fund at the end of the relevant quarter, calculated and paid quarterly. The rate of this tax is reduced to 0.01% of the net assets for the sub-funds exclusively available to institutional investors.

Note 5 - Other expenses

The Other expenses are mainly composed of rent fees, risk management, compliance fees, salaries, related tax and social security.

Note 6 - Changes of the investment portfolio

Details of changes in the securities portfolio for the year referring to this report are available upon request - free of charge - at the registered office of the Fund.

Note 7 - Events

The R shares class for the sub-fund SALUS ALPHA SICAV - Salus Alpha Global Risk Parity has not yet received any subscription as at December 31, 2017 and it is not yet launched.

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Unaudited information

Risk Management Disclosure

The sub-fund SALUS ALPHA SICAV - Salus Alpha Directional Markets uses the absolute Value at Risk (VaR) approach in order to monitor and measure the global exposure. The VaR limit is set at 20%.

The utilisation of the VaR limit during the financial year was as follows:

- Lowest utilisation : 2.15%
- Highest utilisation : 11.4%
- Average utilisation : 5.90%

The VaR figures have been calculated based on the following input data:

- Model used: Historical Simulation
- Confidence level: 99%
- Holding period: 20 days
- Length of data history: 1 year

The average level of leverage calculated using the sum of notionals approach was 252.74%

The sub-fund SALUS ALPHA SICAV - Salus Alpha Special Situations uses the commitment approach in order to monitor and measure the global exposure.

Securities Financing Transactions and of Reuse Regulation (“SFTR”)

The Fund does not use any instruments falling into the scope of SFTR.

Remuneration policy

Salus Alpha SICAV is a self-managed SICAV, an investment company with variable capital that has designated to manage itself. The Fund has no direct staff involved in the portfolio management. The self-managed investment company is subject to the most of UCITS management company requirements as set in the Law of 17 December 2010, as amend and the CSSF Circular 12/546, as amended.

The Fund's Directors and Conducting Officers are remunerated by the Fund and are subject to its remuneration policy.

The Fund pays fees for the services it receives from its service providers and such fees do not include a variable component related to the Fund's performance and the Fund does not pay its service providers bonuses based on the Fund's performance.

The board of the Fund reviews and adopts the Remuneration Policy on annual basis. As at 31 December 2017, the board last reviewed and adopted Remuneration Policy December 2016. The remuneration policy can be found on www.salusalphabet-sicav.com.