

**Annual report including audited financial statements
as at 30th June 2017**

THE STRALEM FUND

Société d'Investissement à Capital Variable
organised under the laws of Luxembourg

R.C.S. Luxembourg B 140 180

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

THE STRALEM FUND

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THE STRALEM FUND

Organisation

Domiciliary and registered office

11, rue Aldringen
L-1118 LUXEMBOURG

Board of Directors

Chairman

Serge D'ORAZIO

Head of Investment Funds & Global Custody Services
KBL EUROPEAN PRIVATE BANKERS S.A.
43, boulevard Royal
L-2955 LUXEMBOURG

Directors

Adam S. ABELSON

Vice President & Senior Portfolio Manager
STRALEM & COMPANY INCORPORATED
551 Madison Avenue
NEW YORK, NY 10022
USA

Andrea BAUMANN LUSTIG

Vice President & Private Client Asset Management
STRALEM & COMPANY INCORPORATED
551 Madison Avenue
NEW YORK, NY 10022
USA

Stéphane RIES

Head of Business Development
KBL EUROPEAN PRIVATE BANKERS S.A.
43, boulevard Royal
L-2955 LUXEMBOURG

Management Company

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

Board of Directors of the Management Company

Chairman

Vincent DECALF (since 17th March 2017)
Olivier de JAMBLINNE de MEUX (until 17th March 2017)

Director

Vincent DECALF
(since 30th December 2016 and until 17th March 2017)
Rafik FISCHER (until 30th December 2016)
Olivier de JAMBLINNE de MEUX (since 17th March 2017)
Franck SARRE (until 30th December 2016)

Managing Director

Stefan VAN GEYT

Conducting officers of the Management Company

Aurélien BARON
Kris COOLS (since 10th October 2016)
Stefan VAN GEYT

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Organisation (continued)

Depository and principal paying agent	KBL EUROPEAN PRIVATE BANKERS S.A. 43, boulevard Royal L-2955 LUXEMBOURG
Delegated administrator, registrar and transfer agent	EUROPEAN FUND ADMINISTRATION S.A. 2, rue d'Alsace L-1122 LUXEMBOURG
Investment manager	STRALEM & COMPANY INCORPORATED 551 Madison Avenue NEW YORK, NY 10022 USA
Cabinet de révision agréé	DELOITTE Audit Société à responsabilité limitée 560, rue de Neudorf L-2220 LUXEMBOURG
General distributor	CARNEGIE FUND SERVICES S.A. 11, rue du Général-Dufour CH-1204 GENEVA
Swiss representative	CARNEGIE FUND SERVICES S.A. 11, rue du Général-Dufour CH-1204 GENEVA
Paying agent in Switzerland	BANQUE CANTONALE DE GENÈVE 17, quai de l'Île CH-1204 GENEVA
Marketing coordinators	IPA INVESTMENT PRODUCTS ADVISORY S.A. 107 Kantonstrasse CH-8807 FREIENBACH AMIRA-CAPITAL GmbH 26, Goethestrasse D-63263 NEU-ISENBURG
Information and paying agent in Austria	ERSTE BANK DER OESTERREICHISCHEN SPARKASSEN AG Graben 21 A-1010 VIENNA
Information and paying agent in Belgium	PUILAETCO DEWAAY PRIVATE BANKERS S.A. 46, avenue Herrmann Debroux B-1160 BRUSSELS

THE STRALEM FUND

Organisation (continued)

Centralising Correspondent in France	SOCIETE GENERALE S.A 29, boulevard Haussmann F-75009 PARIS
Information and paying agent in Germany	MERCK FINCK & CO, PRIVATBANKIERS Neuer Wall, 77 D-20354 HAMBURG
Facilities agent in the United Kingdom	GLOBAL FUNDS REGISTRATION LIMITED 1st Floor, 10 New Street EC2M 4TP LONDON

THE STRALEM FUND

General information

THE STRALEM FUND (the "Company"), incorporated on 8th July 2008 for an unlimited period, is organised as a "*société d'investissement à capital variable*" in Luxembourg under the amended law of 10th August 1915 (the "1915 Law") and pursuant to Part I of the amended Law of 17th December 2010 relating to Undertakings for Collective Investment. The Company qualifies as an Undertaking for Collective Investment in Transferable Securities (UCITS) under the Council Directive 2009/65/EC as amended. The Directive 2014/91/EU of the European Parliament and of the Council of 23rd July 2014 amending the Directive 2009/65/EC had been transposed by the law of 10th May 2016 coming into force on 1st June 2016 and amending the amended law of 17th December 2010.

The Company is an "umbrella fund".

At the date of the financial statements, the following Sub-Fund is offered:

- THE STRALEM FUND - US EQUITY expressed in USD

The Sub-Fund offers two different categories of shares: capitalisation shares and distribution shares.

The capitalisation shares offer the following share categories:

- Category A shares, open to any investor;
- Category I shares, open to institutional investors.

The distribution shares offer the following share categories:

- Category DA shares, open to any investor;
- Category DI shares, open to institutional investors.

At the date of the financial statements, Category A, I and DI shares are issued.

The Company's financial year begins on 1st July and ends on 30th June of the next year.

Copies of the Articles of Incorporation of the Company, the current Prospectus, the Key Investor Information Documents ("KIID"), the latest annual and semi-annual reports may be obtained free of charge during normal office hours at the registered office of the Company in Luxembourg.

Additional information for investors in Austria:

1. The Company has appointed ERSTE BANK DER OESTERREICHISCHEN SPARKASSEN AG, Graben 21, 1010 VIENNA, as paying and information agent of the Company in Austria in the sense of § 141 InvFG 2011.
2. Requests for redemption of shares can be submitted to the Austrian paying agent and redemptions as well as the payment of redemption proceeds to Shareholders can be settled through the Austrian paying agent.
3. Copies of the Articles of Incorporation of the Company, the current Prospectus, the Key Investor Information Documents ("KIID"), the latest annual and semi-annual reports may be obtained from the Austrian paying agent at the above-mentioned address.
4. Subscription and redemption prices for the shares of the Sub-Fund are published daily on www.fundsquare.net.
5. Please note that taxation according to Austrian Tax Law may differ significantly from the tax situation described in the prospectus. Shareholders and interested persons should consult their tax advisor with regard to the tax consequences arising from holding shares in the Sub-Fund.

THE STRALEM FUND

General information (continued)

Additional information for investors in Belgium:

The Company's financial service is provided in Belgium by PUILAETCO DEWAAY PRIVATE BANKERS S.A., registered offices at 46, avenue Herrmann Debroux, B-1160 BRUSSELS.

In Belgium the Company publishes all the information published in the Company's country of origin.

Copies of the Articles of Incorporation of the Company, the current Prospectus, the Key Investor Information Documents ("KIID"), the financial service agreement, the latest annual and semi-annual reports including the list of changes in the securities portfolio during the period of the report are available to the public at the premises of the Company's financial service.

Additional information for investors in France:

SOCIETE GENERALE S.A., 29, boulevard Haussmann, F-75009 PARIS assumes the function of the central correspondent in France.

Additional information for investors in Germany:

1. The paying and information agent in Germany is MERCK FINCK & CO, PRIVATBANKIERS, Neuer Wall, 77, D-20354 HAMBURG.
2. Redemptions of shares will be in the currency of the Sub-Funds. Redemption and conversion orders for shares may be submitted to the German paying agent. Redemption and conversion orders, if they are addressed to the Company or the paying agent in Germany, must arrive no later than 5.00 p.m. Luxembourg time on the Transaction Day preceding the Valuation Day. Copies of the Articles of Incorporation of the Company, the current Prospectus, the Key Investor Information Documents ("KIID"), the latest annual and semi-annual reports, as well as the subscription, conversion and redemption prices may be obtained by Shareholders free of charge at MERCK FINCK & CO, PRIVATBANKIERS. In addition, the Depositary and Paying Agent Agreements with KBL EUROPEAN PRIVATE BANKERS S.A., LUXEMBOURG, the Domiciliary Agreement, the Administrative Agent Agreement, the Registrar & Transfer Agent Agreement with KREDIETRUST LUXEMBOURG S.A. and the Investment Management Agreement with STRALEM & COMPANY INCORPORATED may be inspected there.
3. All payments by the Company to Shareholders in Germany (proceeds of redemptions, any distributions and other payments) may be transferred via the paying agent MERCK FINCK & CO, PRIVATBANKIERS. Publication in Germany of subscription and redemption prices and any other important information to Shareholders will be in the "*Handelsblatt*".
4. THE STRALEM FUND intends to fulfil its obligations to provide information which is included in the requirements for taxation of Shareholders subject to taxation in Germany pursuant to Section 5 of the German Investment Tax Act (InvStG) but assumes no liability for doing so. The prospectus does not provide any information on the German taxation of Shareholders in respect of shares in THE STRALEM FUND. It should, however, be noted that distributions by the Company, income allocated for tax purposes but not distributed (including profits) in the Company, and the proceeds from the sale, conversion or redemption of shares and from the assignment of claims arising from the shares and equivalent cases are subject in Germany to taxation at the legally prescribed rates and may also be subject to a deduction of tax (investment income tax plus solidarity surcharge). Moreover, any other (German or non-German) taxation must be observed.

Investors are recommended to contact their tax advisor in respect of taxation details relating to shares in THE STRALEM FUND.

THE STRALEM FUND

General information (continued)

Additional information for investors in Switzerland:

1. CARNEGIE FUND SERVICES S.A., GENEVA has been appointed as the representative of the Company in Switzerland. Copies of the Articles of Incorporation of the Company, the current Prospectus, the Key Investor Information Documents ("KIID"), the latest annual and semi-annual reports including the list of changes in the securities portfolio during the period of the report, can be obtained free of charge from the representative in Switzerland. For the shares of the Company distributed to non-qualified investors in and from Switzerland and for the shares of the Company distributed to qualified investors in Switzerland, the place of jurisdiction is Geneva. Performance data does not take account of the commissions and costs incurred on the issue and redemption of shares.
2. BANQUE CANTONALE DE GENEVE has been appointed as the Swiss paying agent for and by the Company.
3. All the publications of the Company in Switzerland, whether mandatory or not, will be made on www.swissfunddata.ch. The issue and redemption prices of the shares of the Sub-Fund authorized for public distribution in and from Switzerland will be published daily on www.swissfunddata.ch. The published prices will be exclusive of commissions.

Additional information for investors in UK:

GLOBAL FUNDS REGISTRATION LIMITED, 1st Floor, 10 New Street, assumes the function of the facilities agent in the United Kingdom.

THE STRALEM FUND

Report on activities of the Board of Directors

Dear Shareholders,

The Stralem Investment Fund – U.S. Equity (the “Fund”) closed the year ending 30th June 2017, with USD \$54.5 million in net assets under management at the close of its ninth year of business.

The Fund is now authorized for sale in Austria, Belgium, France, Germany, Holland, Luxembourg, the UK, Singapore* and Switzerland.

Stralem & Company (the Investment Manager and the Promoter) have agreed to extend the fixed Total Expense Ratio cap (“TER Cap”) for the accounting period July 1st 2017 - June 30th 2018. The TER Cap on Class A and DA Shares will continue to be 2.19% and the TER Cap will continue to be 1.53% on Class I and DI Shares. The Promoter has agreed to bear the risk of any Class of shares exceeding its defined TER Cap.

We would like to take this occasion to thank the shareholders for their continued confidence in The Stralem Investment Fund – U.S. Equity. We look forward to serving your investment objectives in the U.S. market during the year to come.

On behalf of the Board,

Serge D'ORAZIO

Adam S. ABELSON

Andrea Baumann LUSTIG

Stéphane RIES

André SCHMIT

*For institutional investors only.

THE STRALEM FUND

Report on activities of the Board of Directors (continued)

Investment Managers Report

Review

For the year ended 30th June 2017, THE STRALEM SICAV - U.S. EQUITY Class I shares (STRALFI) returned 10.31% before taxes (net after fees and expenses) and Class A shares (STRALFA) returned 9.59% before taxes (net after fees and expenses) vs. the S&P 500 Total Return Index which returned 17.90% (gross-no fees or expenses) for a relative underperformance of 7.58% and 8.31% respectively.

Stralem & Company's ("Stralem") goal is to provide "Participation with Protection." Preserving capital in a down market is far more impactful to long-term investment returns than outperforming during market advances. This tenet is the basis of Stralem's investment discipline. Stralem's investment approach is designed to participate in market advances but with a view towards preserving capital when the market declines and is evidenced in the portfolio's allocation to both "Up Market" and "Down Market" stocks.

In fiscal 2017, the Stralem Investment Fund's (the "Fund") relative underperformance stemmed from the industry sector rotation brought about by the unexpected presidential election victory of Donald Trump. Investors expressed sudden optimism regarding the prospects for industry deregulation, tax cuts (including a repatriation of corporations' accumulated earnings abroad), a major infrastructure spending initiative and higher interest rates and inflation. Economically sensitive sectors where Stralem has significant underweights were the beneficiaries of this sector rotation. Financials returned +35.3% over the fiscal year and Industrials returned +22.3%. Some of the more stable growth defensive sectors that Stralem favors, such as Utilities (+2.5%) and Consumer Staples (+3.1%) were the source of this rotation of funds.

However, towards the end of the Fund's fiscal year, the "Trump Bump" that defined the year's performance was showing signs of reversal into a "Trump Slump". It is our view that this reversal will continue as the political realities take hold, and investors refocus their attention on the economic realities of the day and reward the companies able to execute in this environment rather than those that are merely expected to benefit if, and when, specific Trump policy initiatives are passed into law. We believe that the longer-term shift back to fundamental analysis that has been underway for almost three years remains intact and has validated Stralem's adherence to its long-term discipline and process.

In March 2009, at the height of the Great Recession, the Federal Reserve (the "Fed") decided that monetary policy would be the best and perhaps only weapon available to help the U.S. avoid a depression and thus launched an audacious assault on interest rates in the hopes of stimulating the economy. The Fed's plan was to directly lower short term interest rates through ZIRP (Zero Interest Rate Policy) and to pressure longer term rates lower by aggressively purchasing treasuries through its QE Program (Quantitative Easing).

The Fed achieved its goal, but in so doing created an unprecedented confluence of extraordinary stock market conditions: extreme stock market returns, below average stock market volatility, and very high stock correlations. While each of these conditions had occurred independently at different times in stock market history – the simultaneous persistence of all three conditions from 2009-2014 was unprecedented and created an environment that favored passive investing to a degree heretofore unseen. With the end of QE in Q4 of 2014 and the first Fed rate hike in Q4 2015, this confluence of extraordinary market conditions broke down in early 2015 and has continued to break down to date – excepting for the "Trump Bump" from November 2016-April 2017.

This return to what we view as more "normal market conditions" at a time when GDP cannot seem to break above 3%, corporate margins are at all-time highs, and price/earnings ratios are well-above historical averages has created potential risks for "own everything" passive strategies and has underscored the importance of active management and stock selection by enabling companies with superior fundamentals and operating performance to be commensurately rewarded once again.

THE STRALEM FUND

Report on activities of the Board of Directors (continued)

Given that the market has been propelled to all-time highs despite the underlying shift to a more selective environment and risks introduced since the presidential election, we believe it prudent to remain positioned with 35% of the portfolio in what we view as defensive positions with downside protection. As a result, the portfolio remains 65% allocated to the Up Market Sector with 35% allocated to the Down Market Sector.

Portfolio Trades

Early on in the Fund's fiscal 2017, General Electric (GE) was sold from the Dominant Companies category within the Up Market sector, and replaced with Facebook (FB) in the New Industries category within the Up Market. In the High Yield category within the Down Market sector, Coca-Cola Company (KO) was sold and replaced with Kraft Heinz (KHC). GE was sold as the company's end markets and RGV (Relative Growth Valuation) had been softening, and multiple catalysts from the last year had been largely priced in (selling GE Capital operations, Alstom acquisition, SIFI de-designation, sale of Appliances business), making this an opportune time to step away from this fully valued name. Facebook was added to the portfolio on that company's vast and growing targeted advertising opportunity, the company's leading position in mobile advertising and unrivaled data trove allowing advertisers to target potential customers, and the increasing penetration of major platforms that Facebook had not even started monetizing yet (Instagram, Messenger, WhatsApp). As far as Coca-Cola Company, it was sold due to ongoing challenges in end markets for carbonated soft drinks, purchasing power headwinds in emerging countries, and management's insufficient cost-reduction actions to offset top-line challenges. Kraft Heinz was purchased to replace Coca-Cola Company in the High Yield category, as the combined company is a packaged food industry juggernaut with a stable of iconic brands, there is a long runway for further margin expansion (under 3G Capital's proven playbook), and there are opportunities for further inorganic growth via acquisitions.

Late in the Fund's fiscal year, CVS Health (CVS) was sold from the Dominant Companies category within the Up Market sector, and replaced with Broadcom (AVGO) in the New Industries category within the Up Market sector. The decision to sell CVS was based on a change to the original investment thesis that the company's unique structure led to a distinct competitive advantage. The combination of an in-house PBM (Pharmacy Benefit Manager), in-store "Minute Clinics", and a retail pharmacy was expected to drive increased traffic, cost efficiency, and higher profits. However, after losing a couple large PBM contracts to competitors, while seeing increasing competition from e-commerce players like Amazon, made us reconsider the overall investment. Broadcom is a semiconductor holding company that acquired several highly profitable, dominant brands within their wireless, wireline or data center niches. As part of the combined entity, Broadcom management is able to create revenue and cost synergies that drive additional profits and excessive free cash flow that is pumped back into research and development and used for additional acquisitions. It is our strong belief that Broadcom has a multi-year runway of growth and profits that is not fully appreciated by the market.

In essence, our "Participation with Protection" mantra is to provide substantial gains during rising markets but, more importantly, limit losses during declining markets. The end result of which, over time, has proven to be a winning formula. After 8 plus years of rising markets, fatigue often sets in. Nevertheless Stralem continues to execute as we always have and we will continue to stick to our philosophy in the future. It may not always feel good at certain points in the cycle but it will over the long-term.

In summary, we remain convinced that the market environment began to change at the start of 2015 when the Fed began to pull back on its loose monetary policy by curtailing Quantitative Easing and beginning the process of raising interest rates. These decisions coupled with new highs in the stock market, an 8+ year rally without any significant pullback, and above average corporate valuations have introduced more uncertainty, volatility and caution into the market. It is our contention that diligent research and price sensitivity and stock selection based on strong fundamentals will continue to be rewarded. In our view, the portfolio is well-positioned to participate in continued upside momentum--capitalizing on powerful secular themes and market share shifts that may occur due to disruptive

THE STRALEM FUND

Report on activities of the Board of Directors (continued)

technologies--as well as protect capital on the downside if necessary. In closing, we believe it is more imperative than ever to balance "Participation with Protection" in order to create and protect long term wealth.

On behalf of the Investment Manager,

Stralem & Company Incorporated

The Investment Manager's Report reflects Stralem & Company Incorporated's current views and opinions. These views are subject to change at any time based upon market or other conditions. Past performance is not indicative of future results. © 2017 Stralem & Company Incorporated

The Board of Director's Report reflects the views and opinions of the Fund's Board, as of 30th June 2017. Going forward, these views are subject to change at any time based upon market or other conditions. The information was prepared for the shareholders of the Fund. It is not authorized for distribution to prospective investors in the Fund unless it is accompanied by a current prospectus which describes the Fund's objectives, risks, policies, expenses and other important information. Prospective investors are advised to read the prospectus carefully before investing. Past performance is not indicative of future results. Future performance may be lower or higher than the data contained herein. The Fund can suffer losses as well as gains.

Luxembourg, 31st July 2017

The Board of Directors

Report of the réviseur d'entreprises agréé

To the Shareholders of,
THE STRALEM FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of THE STRALEM FUND and its sub-fund (the "Company"), which comprise the statement of net assets and the statement of investments and other net assets as at 30th June 2017 and the statement of operations and the statement of 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 the THE STRALEM FUND and its sub-fund as at 30th June 2017, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with the Law of 23rd July 2016 on the audit profession (Law of 23rd 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 Regulation, Law and standards 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 Company in accordance with 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 Company 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 material inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.



Report of the Réviseur d'Entreprises Agréé (continued)

If, based on the work we have performed, we concluded that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regards.

Responsibilities of the Board of Directors of the Company and Those Charged with Governance for the Financial Statements

The Board of Directors of the 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 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 Company is responsible for assessing the Company'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 either intends to liquidate the Company 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 a 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 23rd 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 23rd 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 Company'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 Company.
- Conclude on the appropriateness of Board of Directors of the 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 Company'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 the Réviseur d'Entreprises Agréé (continued)

report of "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Company 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.

Report on Other Legal and Regulatory Requirements

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

For Deloitte Audit, Cabinet de Révision Agréé



Philippe Lengés, Réviseur d'Entreprises Agréé
Partner

21st September 2017
560, rue de Neudorf
L-2220 LUXEMBOURG

THE STRALEM FUND

Combined statement of net assets (in USD)

as at 30th June 2017

Assets

Securities portfolio at market value	52,011,780.74
Cash at banks	2,539,010.34
Income receivable on portfolio	71,248.50
Other receivables	42,683.18
Prepaid expenses	1,619.41
	<hr/>
Total assets	54,666,342.17
	<hr/>

Liabilities

Bank overdrafts	640.14
Interest payable on bank overdrafts	1.92
Expenses payable	105,219.31
Other liabilities	38,140.89
	<hr/>
Total liabilities	144,002.26
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Net assets at the end of the year	54,522,339.91
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The accompanying notes are an integral part of these financial statements.

THE STRALEM FUND

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

from 1st July 2016 to 30th June 2017

Income	
Dividends, net	832,312.70
Total income	832,312.70
Expenses	
Management Company and Investment Management fees	505,347.23
Depository fees	30,519.06
Banking charges and other fees	12,517.23
Transaction fees	5,779.36
Administration costs	100,768.80
Professional fees	23,271.66
General Distribution and Marketing fees	133,149.17
Publication and database expenses	32,755.47
National authorities costs (of the distribution countries) and agent fees	29,248.47
Subscription duty ("taxe d'abonnement")	12,277.57
Bank interest paid	22.87
Other expenses	64,176.22
Total expenses	949,833.11
Net investment loss	-117,520.41
Net realised gain/(loss)	
- on securities portfolio	2,584,458.03
- on foreign exchange	-967.87
Realised result	2,465,969.75
Net variation of the unrealised gain/(loss)	
- on securities portfolio	2,757,539.10
Result of operations	5,223,508.85
Subscriptions	1,398,846.80
Redemptions	-6,862,644.82
Total changes in net assets	-240,289.17
Total net assets at the beginning of the year	54,762,629.08
Total net assets at the end of the year	54,522,339.91

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

THE STRALEM FUND - US EQUITY

Statement of net assets (in USD)

as at 30th June 2017

Assets

Securities portfolio at market value	52,011,780.74
Cash at banks	2,539,010.34
Income receivable on portfolio	71,248.50
Other receivables	42,683.18
Prepaid expenses	1,619.41
Total assets	54,666,342.17

Liabilities

Bank overdrafts	640.14
Interest payable on bank overdrafts	1.92
Expenses payable	105,219.31
Other liabilities	38,140.89
Total liabilities	144,002.26

Net assets at the end of the year 54,522,339.91

Breakdown of net assets per share class

Share class	Number of shares	Currency of share class	NAV per share in currency of share class	Net assets per share class (in USD)
Category A	100,785.354	USD	160.39	16,165,241.50
Category DI	59,251.398	USD	169.37	10,035,250.86
Category I	167,252.698	USD	169.34	28,321,847.55
				54,522,339.91

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

THE STRALEM FUND - US EQUITY

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

from 1st July 2016 to 30th June 2017

<u>Income</u>	
Dividends, net	832,312.70
Total income	832,312.70
<u>Expenses</u>	
Management Company and Investment Management fees	505,347.23
Depository fees	30,519.06
Banking charges and other fees	12,517.23
Transaction fees	5,779.36
Administration costs	100,768.80
Professional fees	23,271.66
General Distribution and Marketing fees	133,149.17
Publication and database expenses	32,755.47
National authorities costs (of the distribution countries) and agent fees	29,248.47
Subscription duty ("taxe d'abonnement")	12,277.57
Bank interest paid	22.87
Other expenses	64,176.22
Total expenses	949,833.11
Net investment loss	-117,520.41
<u>Net realised gain/(loss)</u>	
- on securities portfolio	2,584,458.03
- on foreign exchange	-967.87
Realised result	2,465,969.75
<u>Net variation of the unrealised gain/(loss)</u>	
- on securities portfolio	2,757,539.10
Result of operations	5,223,508.85
Subscriptions	1,398,846.80
Redemptions	-6,862,644.82
Total changes in net assets	-240,289.17
Total net assets at the beginning of the year	54,762,629.08
Total net assets at the end of the year	54,522,339.91

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

THE STRALEM FUND - US EQUITY

Statistical information (in USD)

as at 30th June 2017

Total net assets	Currency	30.06.2015	30.06.2016	30.06.2017
	USD	76,568,190.40	54,762,629.08	54,522,339.91
Net asset value per share	Currency	30.06.2015	30.06.2016	30.06.2017
Category A	USD	138.00	146.36	160.39
Category DI	USD	143.84	153.54	169.37
Category I	USD	143.83	153.51	169.34
Performance per share (in %)		2015	2016	2017
Category A		0.35	6.06	9.59
Category DI		0.97	6.74	10.31
Category I		0.96	6.73	10.31
Number of shares	outstanding at the beginning of the year	issued	redeemed	outstanding at the end of the year
Category A	129,987.263	5,890.000	-35,091.909	100,785.354
Category DI	59,251.398	-	-	59,251.398
Category I	173,544.691	3,208.007	-9,500.000	167,252.698
TER per share as at 30.06.2017 (see note 7)				(in %)
Category A				2.19
Category DI				1.53
Category I				1.53

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

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

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

THE STRALEM FUND - US EQUITY

Statement of investments and other net assets (in USD)

as at 30th June 2017

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<u>Investments in securities</u>					
<u>Transferable securities admitted to an official stock exchange listing</u>					
Shares					
USD	24,000	Abbott Laboratories	800,608.15	1,166,640.00	2.14
USD	12,200	Adobe Systems Inc	968,841.30	1,725,568.00	3.17
USD	1,850	Alphabet Inc A	1,006,962.44	1,719,908.00	3.15
USD	6,300	Amgen Inc	709,120.89	1,085,049.00	1.99
USD	38,300	AT&T Inc	1,151,969.99	1,445,059.00	2.65
USD	7,400	Broadcom Ltd	1,615,351.92	1,724,570.00	3.16
USD	8,600	Celgene Corp	350,670.63	1,116,882.00	2.05
USD	10,200	Chevron Corp	949,456.54	1,064,166.00	1.95
USD	7,700	Chubb Ltd N	854,152.07	1,119,426.00	2.05
USD	16,700	Danaher Corp	624,391.82	1,409,313.00	2.59
USD	20,600	Dominion Energy Inc	1,039,632.95	1,578,578.00	2.90
USD	24,900	Dow Chemical Co	793,813.82	1,570,443.00	2.88
USD	19,300	Duke Energy Corp	1,438,042.04	1,613,287.00	2.96
USD	11,200	EOG Resources Inc	1,132,494.72	1,013,824.00	1.86
USD	12,750	Exxon Mobil Corp	971,373.23	1,029,307.50	1.89
USD	11,200	Facebook Inc A	1,387,518.72	1,690,976.00	3.10
USD	8,400	Fedex Corp	823,923.87	1,825,572.00	3.35
USD	27,250	Intercontinental Exchang Inc	1,302,905.98	1,796,320.00	3.29
USD	8,500	Johnson & Johnson	893,310.05	1,124,465.00	2.06
USD	36,134	Johnson Controls Intl Plc	1,543,756.87	1,566,770.24	2.87
USD	17,600	Kraft Heinz Co (The)	1,566,811.93	1,507,264.00	2.76
USD	20,000	Lowe's Companies Inc	1,505,454.03	1,550,600.00	2.84
USD	25,400	Merck & Co Inc	1,036,158.72	1,627,886.00	2.99
USD	24,400	Microsoft Corp	679,939.49	1,681,892.00	3.09
USD	35,600	Mondelez Intl Inc	1,584,961.84	1,537,564.00	2.82
USD	36,000	Oracle Corp	1,166,493.43	1,805,040.00	3.31
USD	47,600	Pfizer Inc	954,173.93	1,598,884.00	2.93
USD	14,300	Philip Morris Intl Inc	1,238,377.97	1,679,535.00	3.08
USD	42,000	PPL Corp	1,119,284.16	1,623,720.00	2.98
USD	20,200	Schlumberger Ltd	1,541,143.11	1,329,968.00	2.44
USD	25,600	Starbucks Corp	978,054.94	1,492,736.00	2.74
USD	7,100	Thermo Fisher Scientific Inc	439,602.21	1,238,737.00	2.27
USD	9,600	United Health Group Inc	1,056,116.57	1,780,032.00	3.27
USD	18,300	Visa Inc A	810,521.12	1,716,174.00	3.15
USD	13,700	Walt Disney Co (The)	909,246.17	1,455,625.00	2.67
Total investments in securities			36,944,637.62	52,011,780.74	95.40
Cash at banks				2,539,010.34	4.66
Bank overdrafts				-640.14	0.00
Other net assets/(liabilities)				-27,811.03	-0.06
Total				54,522,339.91	100.00

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

THE STRALEM FUND - US EQUITY

Industrial and geographical classification of investments

as at 30th June 2017

Industrial classification

(in percentage of net assets)

Pharmaceuticals and biotechnology	16.43 %
Software and services	15.82 %
Food, beverage and tobacco	11.40 %
Diversified financial services	9.31 %
Utilities	8.84 %
Energy	8.14 %
Transportation	3.35 %
Health care equipment and services	3.27 %
Semiconductors and semiconductor equipment	3.16 %
Raw materials	2.88 %
Retailing	2.84 %
Media	2.67 %
Telecommunication services	2.65 %
Capital goods	2.59 %
Insurance	2.05 %
Total	<u>95.40 %</u>

Geographical classification

(by domicile of the issuer)

(in percentage of net assets)

United States of America	84.88 %
Singapore	3.16 %
Ireland	2.87 %
Curacao	2.44 %
Switzerland	2.05 %
Total	<u>95.40 %</u>

THE STRALEM FUND - US EQUITY

Statement of changes in investments (unaudited) from 1st July 2016 to 30th June 2017

Currency	Description	Purchases	Sales	Other*
Shares				
USD	Adient Plc Reg	0	3,613	3,613
USD	Adobe Systems Inc	2,300	4,500	0
USD	Alphabet Inc A	300	250	0
USD	Amgen Inc	0	600	0
USD	AT&T Inc	0	3,800	0
USD	Broadcom Ltd	7,400	0	0
USD	Celgene Corp	0	1,000	0
USD	Chevron Corp	0	4,500	0
USD	Chubb Ltd N	0	4,400	0
USD	Coca-Cola Co	0	35,900	0
USD	CVS Health Corp	0	15,900	0
USD	Dominion Energy Inc	0	1,500	0
USD	Dow Chemical Co	0	6,100	0
USD	Duke Energy Corp	0	1,000	0
USD	EOG Resources Inc	0	4,600	0
USD	Exxon Mobil Corp	0	3,850	0
USD	Facebook Inc A	13,600	2,400	0
USD	Fedex Corp	0	1,400	0
USD	Fortive Corp	0	8,350	8,350
USD	General Electric Co	0	52,800	0
USD	Intercontinental Exchang Inc	0	3,000	24,200
USD	Johnson & Johnson	0	2,300	0
USD	Johnson Controls Inc	0	0	-35,700
USD	Johnson Controls Intl Plc	6,300	0	29,834
USD	Kraft Heinz Co (The)	18,900	1,300	0
USD	Lowe's Companies Inc	0	1,700	0
USD	Merck & Co Inc	0	3,500	0
USD	Microsoft Corp	0	1,200	0
USD	Oracle Corp	6,300	4,600	0
USD	Pfizer Inc	0	2,500	0
USD	Philip Morris Intl Inc	0	2,400	0
USD	PPL Corp	0	1,600	0
USD	Thermo Fisher Scientific Inc	0	1,000	0
USD	United Health Group Inc	0	4,000	0
USD	Visa Inc A	0	1,700	0

*corresponding to corporate actions

THE STRALEM FUND

Notes to the financial statements

as at 30th June 2017

Note 1 - Significant accounting policies

a) Presentation of the financial statements

The financial statements of the Company are prepared in accordance with Luxembourg legal and regulatory requirements (Luxembourg GAAP) concerning Undertakings for Collective Investment and with generally accepted accounting principles in Luxembourg.

b) Valuation of assets

- 1) The valuation of any transferable securities traded or listed on a stock exchange is made on the basis of the closing price as at the Valuation Day unless such price is not representative.
- 2) The value of any transferable securities traded on another regulated market is determined on the basis of the closing price as at the Valuation Day.
- 3) If transferable securities on a dedicated Valuation Day are neither officially traded nor listed on an exchange or regulated market, or in the case where, for securities officially listed or traded on a stock exchange or another regulated market, the price as determined pursuant to paragraphs 1 and 2 here above is not representative of the true value of such transferable securities, the valuation is made on the basis of their likely value of realisation, estimated with due care and good faith by the Board of Directors of the Company.

c) Acquisition cost of securities in the portfolio

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

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

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

e) Investment portfolio income

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

f) Conversion of foreign currencies

Cash at banks, other net assets and liabilities and the market value of the securities in portfolio expressed in currencies other than the currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the financial statements. Income and expenses expressed in currencies other than the currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the transaction. Foreign exchange gains or losses are recorded in the statement of operations and other changes in net assets.

g) Combined financial statements

The combined financial statements of the Company are expressed in USD and are equal to the corresponding items in the financial statements of the Sub-Fund.

THE STRALEM FUND

Notes to the financial statements (continued)

as at 30th June 2017

h) Transaction fees

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

Note 2 - Management Company and Investment Management fees

The Board of Directors of the Company has appointed KREDIETRUST LUXEMBOURG S.A. as the Management Company to provide management and administration services.

In consideration of its services, the Management Company is entitled to a Management Company fee payable monthly and calculated on the basis of the average net assets of the Sub-Fund at the annual rate of 0.03% with an annual minimum of EUR 20,000.

The Management Company has appointed STRALEM & COMPANY INCORPORATED as the Investment Manager of the assets of the Company.

The Investment Manager is entitled to an Investment Management fee payable monthly and calculated on the basis of the average net assets of the Sub-Fund at an effective annual rate of 1.3% for Category A shares and 0.8% for Category I and Category DI shares.

The Investment Management fee is recorded in the statement of operations and other changes in net assets under the item "Management Company and Investment Management fees" together with the Management Company fee.

The Board of Directors of the Company decided to implement a limitation of the fees borne by the Company through the use of a Total Expense Ratio Cap ("TER Cap"). Further information is provided in Note 7.

Note 3 - Marketing coordinator fee

The Company and the Management Company have appointed two Marketing Coordinators (IPA INVESTMENT PRODUCTS ADVISORY S.A., FREIENBACH and AMIRA-CAPITAL GmbH, NEU-ISENBURG) who, acting under the oversight of the Management Company and under direction of the Board of Directors of the Company, assist in the development of the Company by proposing new marketing initiatives and ideas for entry into new markets. The Marketing Coordinators also help produce and maintain marketing support materials such as product literature and technical guides for Distributors.

For their services during the past fiscal year, the Marketing Coordinators receive an incentive fee of 0.2% on the contributed net assets p.a. for Category A shares and 0.144% on the contributed net assets p.a. for Category I and Category DI shares.

This fee is recorded in the statement of operations and other changes in net assets under the item "General Distribution and Marketing fees".

THE STRALEM FUND

Notes to the financial statements (continued)

as at 30th June 2017

Note 4 - General distributor fee

The Management Company has appointed CARNEGIE FUND SERVICES S.A. as the General Distributor of the shares of the Company.

The General Distributor is entitled to an annual fee payable monthly and calculated on the basis of the average net assets of the Sub-Fund at the annual rates of 0.08% for Category A shares and 0.055% for Category I and Category DI shares.

This fee is recorded in the statement of operations and other changes in net assets under the item "General Distribution and Marketing fees".

Note 5 - Administration costs

The item "Administration costs" disclosed in the statement of operations and other changes in net assets is mainly composed by the fees incurred for the administration of the Company.

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

The Company is governed by Luxembourg law.

Pursuant to the legislation and regulations in force, the Company is subject to an annual subscription duty ("*taxe d'abonnement*") of 0.05% for Category A shares and 0.01% for Category I and Category DI shares (reserved to Institutional Investors) which is payable quarterly and calculated on the basis of the net assets of each category of shares on the last day of each quarter.

Note 7 - Total expense ratio ("TER")

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

The TER is calculated for the last 12 months preceding the date of these financial statements.

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

By way of a circular resolution taken by the Board of Directors on 7th June 2011, the Board of Directors of the Company decided to implement a limitation of the fees borne by the Company through the use of a Total Expense Ratio Cap ("TER Cap").

By way of a circular resolution taken by the Board of Directors on 5th July 2016, the TER Cap percentages are fixed for the accounting year 1st July 2016 - 30th June 2017 as follows:

TER Cap Category A and DA shares: 2.19%,
TER Cap Category I and DI shares: 1.53%.

The TER Cap is expressed as a percentage of the Net Asset Value for each Category of shares. The defined TER Cap includes any and all fees paid by the Company with respect to each Category of shares (notably the Investment Management fees, the General Distribution and Marketing fees, the Management Company, Depositary and Administrative Agent fees, as well as all other costs and expenses borne by the Company) excluding the transaction costs relating to purchases on sales of securities.

THE STRALEM FUND

Notes to the financial statements (continued)

as at 30th June 2017

The Sponsor has agreed to bear the risk of any Category of shares exceeding its defined TER Cap. If the TER actually incurred for a given Category of share exceeds its TER Cap, the Sponsor will reimburse the difference to the Company. In the event that the TER actually incurred for a given Category of shares falls below its TER Cap, the residual amount of the TER after deduction of all fees paid by the Company and costs and expenses borne by the Company shall be used to reimburse any outlays made by the Sponsor during the fiscal year. Any residual amount not used to reimburse the actual outlays of the Sponsor shall remain in favour of the Company. The TER of a given Category of shares will in no event exceed such Category of share' TER Cap.

During the period ending 30th June 2017 the effective TER exceeded the "TER Cap". A provision of USD 42,683.20, classified under other receivables in the combined statement of net assets, corresponding to the exceeding amount has been accrued which might be considered as a reimbursement from the Sponsor.

Note 8 - Subsequent Event

Based on the Board of Directors resolution dated August 9, 2017, the TER Cap has been extended for the period 1st July 2017 - 30th June, 2018 as follows :

TER Cap Category A and DA shares : 2.19%

TER Cap Category I and DI shares : 1.53%

THE STRALEM FUND

Additional information (unaudited)

as at 30th June 2017

1 - Risk management

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

2 - Remuneration

As at December 31st, 2016 total KTL staff member remuneration is split into a fixed and a variable remuneration:

- Fixed	EUR 4,302,009.54
- Variable	EUR 485,350.00

Number of employees:

- 50 headcount

Aggregated remuneration of the conducting officers remuneration is EUR 894,754.94.

Details of the management company's updated remuneration policy, including a description of how remuneration and benefits are calculated, are available on the website <https://www.kbl.lu/en/legal-information/regulatory-affairs/>

3 - Information concerning the transparency of securities financing transactions and of reuse of cash collateral (regulation EU 2015/2365, hereafter "SFTR")

At the date of the financial statements the Company is not in the scope of the publication requirements of SFTR. No transactions were carried out during the reporting period.