Alegra ABS Two (Euro) Fund

Semi-Annual Report as per June 30, 2014 unaudited

Contents

This English translation is for convenience only. The German wording of the Semi-Annual Report is legally binding.

Fund shares may not be purchased by US citizens or persons domiciled in the US.

Organization

Management Company
IFOS Internationale Fonds Service AG
Aeulestrasse 6
LI-9490 Vaduz

Board of Directors
Christoph Mauchle, Vaduz / LI
(Chairman from 01.04.2014)
Alfred Moeckli, Vaduz / LI
Sigbert Naescher, Gamprin-Bendern / LI

Management
Sothearith Kol (President), Triesen / LI
Alex Boss, Ruggell / LI
Reto Graessli, Ruggell / LI
Ralf Konrad, Wangs / CH

Asset Manager
Alegra Capital (Lie) AG
Rätikonstrasse 31
LI-9490 Vaduz

Custodian
VP Bank AG
Aeulestrasse 6
LI-9490 Vaduz

Auditors
Ernst & Young AG
Belpstrasse 23
CH-3001 Bern

Paying Agent
VP Bank AG
Aeulestrasse 6
LI-9490 Vaduz

At a Glance

Net Asset Value as per 30.06.2014		EUR 53.7 Millionen
Net Asset Value per share as per June 30, 2014	EUR	3'811.51
Performance (Annualized Yield since Fund launch)	since launch p.a. 21.04 %	since 31.12.2013 5.12 %
Fund launch		29.06.2007
Total Expense Ratio (TER) (1)	with Performance Fee 3.98 %	without Performance Fee 2.00 %
Portfolio Turnover Rate (PTR) (2)		6.74 %
Distributions		None (Reinvestment of Profits)
Commissions		
Management Fee (all-in)		2.00 %
Issuance Commission (max.)		3.00 %
Redemption Fee (max.)		2.00 %
Performance Fee		10 %, without Hurdle Rate with High Watermark
Security-ID Nr.		2.969.859
Fund Domicile		Principality of Liechtenstein

Past performance is not necessarily a guide to the future performance of the Fund. The performance information above does not reflect the commissions charged upon issuance and redemption of Fund shares

(1) This ratio expresses the sum of all commissions and costs (operating expense) charged to the Fund's assets, retrospectively in % of net asset value

(2) This ratio indicates the number of transactions that have taken place in the Fund's portfolio on an annual basis

Asset Manager Report

Dear Investor:

We are pleased to present to you our report on the Alegra ABS Two (Euro) Fund for the first half 2014. During the reporting period, the Fund again showed a positive performance of +5.12%. This development was chiefly owed to further market value increases in the Fund's holdings of interest-bearing CLO bonds and solid distributions on CLO Income Notes. The Net Asset Value of the Fund as per June 30, 2014 amounted to **€ 53.7 million** (compared to € 45.8 million as per year-end 2013). The increase of € 7.9 million was comprised of a € 2.5 million market value gain and net subscriptions of Fund shares in the amount of € 5.4 million (calculated at subscription values), equivalent to a 11.5% increase in shares outstanding.

MARKET OVERVIEW

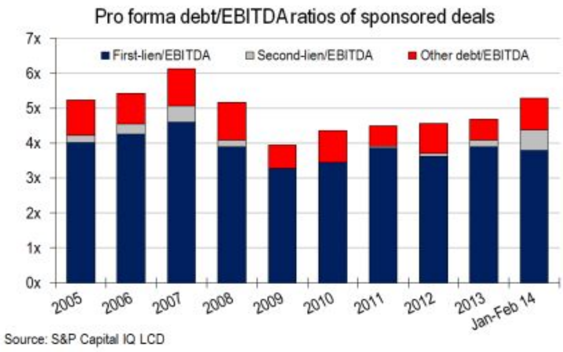
In the 1st quarter 2014, the rather unexpected default of the large French retailer Vivarte and the political unrest in the Ukraine brought some pressure into the Leveraged Finance market in Europe and led to some price corrections. Towards the end of quarter it become clear, however, that the negative impact of Vivarte especially in the CLO Market was limited and that this default was not a harbinger of a generally higher default propensity. The market mood was furthermore brightened by the clarification of Federal Reserve Chair Yellen not to abruptly abandon the accommodating US monetary policy. With the ECB's announcement of the TLTRO program and reassurance that it will continue to keep interest rates low to avoid the risk of deflation in the EU-Zone at any cost, credit markets definitely return to old strengths in the 2nd quarter. Consequently, the hunt for yield in the fixed income markets moved along.

Thereby, the demand for High Yield investments in Europe is increasingly fuelled by the appetite of bond and loan fund managers and the strong return of CLO funds that buy leveraged loans. This is in sharp contrast to the period from 2009 to 2012, when deals involving CLOs all but ceased. Liquidity from the bank market, however, is shrinking as banks are affected by increased regulation. The nature of High Yield transactions (both in the loan and bond market) is still overwhelmingly one of opportunistic refinancings and repricings, although dividend recaps were also robust. Mergers and acquisitions deal flow is still about 30% below the 10-year European average and responsible for the fact that the number of first time issuers is still unsatisfactory. We attribute that to several factors: For one, large (public) corporates still dispose of plenty cash reserves that allow them to easily pay the high equity valuations potential target companies are asking for.

Second, although well-capitalized banks are willing again to underwrite large loan facilities, senior leverage has been held in check so far which for the Private Equity shops often leaves a "gap" in the desired buy-out capital structure. Notwithstanding, prices of CLO investments climbed further and equity distributions on Income Notes continue to be at an attractive level.

The High Yield markets in Europe saw continued significant growth in 1st half 2014 volumes. Bond issuance totalled €71 billion, up 50% from the same period last year, and ahead of total 2013 volume of €70 billion. From 2009 to 2013, this market has grown now by €150 billion and increased its share of institutional European leveraged finance issuance to 70% from 20% in 2007. In comparison, Leveraged Loan growth is still low but helped by increasing CLO issuance. YTD new 2.0 CLO volume stands at €7 billion from 16 deals, up from €2.4 billion from 7 deals in the same period last year. Expectations are that for all of 2014, some €15 billion of new CLOs could be issued in Europe. Given the powerful demand for loans and only limited supply, leverage has been rising (see Table 1 below) and has opened the way for more aggressive structures.

Table 1: Development of Leverage in Europe (newly issued Leveraged Loans)



Asset Manager Report

Towards the end of 2013, total leverage on average had crept towards 5x EBIDTA, up from the 4.5x measured on average in 2012. In 2014, the ratio has climbed further and currently stands at approx. 5.2x, still margins away though from the record 6.1x that was reached at the peak before the credit crisis. In comparison, senior (first-lien) leverage ratios are holding steady which we attribute to the more restrictive underwriting standards of banks which will usually retain a portion of such loans. Whilst higher leverage in loan financing transactions has proven to raise the propensity for default, debt service capacity is equally important and here the picture is favourable. Interest coverage ratios (ie. EBITDA less capex/cash interest) have remained healthy at close to 4x, versus the 2.5x low that was measured in June 2007.

INVESTMENT STRATEGY OF THE FUND

Trading activities of the Fund in the first half 2014 were mainly driven by the inflow of liquidity through subscriptions and healthy distributions on the Fund's portfolio of CLO Income Notes. Various purchases were made in the secondary market. Thereby, the focus was put on defensively structured, investment grade rated Debt Notes. In total, nominal EUR 8 million of such paper was acquired, together with EUR 2.8 million of Bonds originally rated BB as well as an Equity Note of nominal EUR 1.5 million. At the beginning of the year, total nominal EUR 3 million of securities were sold, namely consisting of subordinated CLO bonds for which we were able to secure an attractive price.

In total, trading transactions in the first half 2014 somewhat reduced the Fund's liquidity. As per June 30, 2014, it stood at 16.6% of NAV, compared to 23.5% of NAV at the end of December 2013. In the near future, we tend to retain that liquidity cushion in order to be able to move swiftly on investment opportunities should a larger market correction arise.

OUTLOOK FOR 2014

Despite a number of luring geo-political risks we believe that the flush of capital into the European high yield market will not dry up in the foreseeable future, as the pressure on central banks to keep interest rates at record low levels is kept up. This will give also weaker issuers access to long-term financing and thus keep the risk of default in check. In fact, default rates in Europe which had spiked to 5.9% in May (mostly as a result of Vivarte) have started to ease in June, and most loan managers expect the rate to hover around 4% by the end of this year. For 2015, the average forecast stands at 3.3%. Whilst we share many of these views, we nevertheless remain cautious and follow loan fundamentals (leverage, CCC cohorts, defaults etc.) tightly. We still see only limited value in the new 2.0 generation of CLOs (primarily due to their high liability costs and low diversity scores) and continue to focus on the 1.0 market which in our view offers a better, low-duration upside potential. Overall, we see a further erosion of yields which should have a positive impact on our portfolio valuations.

July 2014
Alegra Capital Ltd.

Statement of Net Assets

as per June 30, 2014

	(in EUR)
Bank Deposits, at sight	9'024'005.59
Securities	44'794'079.39
Other Assets	255'680.22
Total Assets	**54'073'765.20**
Liabilities	-377'169.44
Net Assets	**53'696'595.76**
Fund shares in circulation	**14'088**
Net Asset Value per share	**EUR 3'811.51**

Profit & Loss Accounts

01. January 2014 - 30. June 2014

	(in EUR)
Income from Securities	
Bonds	617'798.09
Adjustment to current income due	
to issuance of shares	100'969.88
Total Income	**718'767.97**
Statutory Compensation payable	
to Management Company	509'373.71
Performance Fee	274'120.90
Adjustment to current income due	
to redemption of shares	17'408.30
Total Expenses	**800'902.91**
Net Investment Income	**-82'134.94**
Realized Capital Gains (Losses)	1'040'415.37
Realized Income	**958'280.43**
Unrealized Capital Gains (Losses)	1'590'381.05
Net Income	**2'548'661.48**

3-Year Comparison

	(in EUR)
Net Assets	
as per 31.12.2012	16'706'808.23
as per 31.12.2013	45'792'059.28
as per 30.06.2014	53'696'595.76
Shares in circulation	
as per 31.12.2012	6'158
as per 31.12.2013	12'629
as per 30.06.2014	14'088
Net Asset Value per share	
as per 31.12.2012	2'713.03
as per 31.12.2013	3'625.94
as per 30.06.2014	3'811.51

Change in Net Assets

	(in EUR)
Net Assets, beginning of period	45'792'059.28
Net increase (decrease) from share issuance and redemptions	5'355'875.00
Net Income	2'548'661.48
Net Assets, end of period	53'696'595.76

Shares in Circulation

Balance, beginning of period	12'629
Issued Shares	1'649
Redeemed Shares	190
Balance, end of period	14'088

Alegra ABS Two (Euro) Fund

Inventory of Investment Assets

Title	Balance 31.12.2013	Bought (1)	Sold (1)	Balance 30.06.2014	Price in %	Value in EUR	% of NAV
Securities							
Bonds in EUR							
Gresham Cap CLO III 27 Var	3'000'000			3'000'000	86.50	2'595'000	4.83%
Skellig Rock 22 var -D-	1'000'000	1'600'000		2'600'000	85.48	2'222'584	4.14%
Lombard St CLO I 23 Var -D-	1'500'000	1'000'000		2'500'000	86.18	2'154'600	4.01%
Duchess VII CLO 23 Var	3'000'000			3'000'000	65.50	1'965'000	3.66%
Dryden Leveraged XIV 22 Var	1'000'000	1'000'000		2'000'000	95.00	1'900'000	3.54%
Duchess IV CLO BV 20 Var		2'000'000		2'000'000	94.39	1'887'800	3.52%
Coniston CLO 24 Var Class D	2'000'000			2'000'000	88.63	1'772'600	3.30%
Cadogan SqCLO V 25 Var		1'800'000		1'800'000	97.00	1'746'000	3.25%
Avoca Clo III 21 Var	1'125'000	875'000		2'000'000	87.26	1'745'200	3.25%
Mercator CLO II 24 Var 4.2700%	2'000'000			2'000'000	77.37	1'547'460	2.88%
Elex Alpha 23 Var -D- Sr	1'700'000			1'700'000	89.60	1'523'200	2.84%
WOOD STREET CLO 1 21 Var	1'250'000			1'250'000	90.04	1'125'513	2.10%
Duchess III CDO 18 11.393%		1'000'000		1'000'000	99.99	999'900	1.86%
Cadogan Square CLO 22 Var 0.0000%	2'000'000			2'000'000	49.00	980'000	1.83%
Versailles CLO 23 Var Class D	1'000'000			1'000'000	94.43	944'300	1.76%
Cadogan Square 22 Var	500'000	500'000		1'000'000	93.30	933'000	1.74%
Dryden X -Euro 22 Var D1	1'000'000			1'000'000	93.09	930'900	1.73%
Avoca Clo III 21 Var -C- Sr		1'000'000		1'000'000	91.50	915'000	1.70%
Cadogan Square III 23 Var	1'250'000			1'250'000	73.00	912'500	1.70%
Dalradian Eur Clo 22 Var -D-	1'000'000			1'000'000	90.19	901'900	1.68%
Lombard St CLO I 23 Ct 0.0000%	2'000'000			2'000'000	45.00	900'000	1.68%
Dryden XV Euro 23 Var	1'000'000			1'000'000	89.19	891'900	1.66%
ACA Euro CLO 24 Var	1'000'000			1'000'000	89.12	891'200	1.66%
Cadogan Square 22 S2X	1'000'000			1'000'000	88.75	887'520	1.65%
Duchess V CLO BV 21 Var	1'000'000			1'000'000	88.12	881'200	1.64%
Elex Alpha 23 Var	1'000'000			1'000'000	87.50	875'000	1.63%
Avoca Clo III 21 Var	1'000'000			1'000'000	86.00	860'000	1.60%
Cadogan Square CLO 23 Var	1'000'000			1'000'000	85.80	858'000	1.60%
Cadogan Square CLO 23 Var	1'250'000			1'250'000	67.50	843'750	1.57%
Cadogan Square 22 var ng		1'500'000		1'500'000	55.50	832'500	1.55%
Dryden XV Euro 23 Var	1'000'000			1'000'000	82.50	825'000	1.54%
Dalradian Eur Clo 22 Var	1'000'000			1'000'000	89.80	729'589	1.36%
Versailles CLO 23 Var	750'000			750'000	92.50	660'863	1.23%
Coniston CLO 24 Var	2'000'000			2'000'000	31.00	620'000	1.15%
EURO-GALAXY 21 Var	1'000'000			1'000'000	57.50	575'000	1.07%
CONTEGO CLO I 26 Var	500'000			500'000	90.40	452'000	0.84%
Mercator CLO II 24 Var B1 Sr	500'000			500'000	88.18	440'900	0.82%
Duchess V CLO BV 21 Var	2'000'000			2'000'000	22.00	440'000	0.82%
Leverage Fin IV 22 Var	1'250'000			1'250'000	32.50	406'250	0.76%
Jubilee CDO V 21 Var	2'000'000			2'000'000	20.00	400'000	0.74%
Mercator CLO II 24 Var	1'500'000			1'500'000	25.00	375'000	0.57%
RMF Euro CDO IV 22 Var	500'000			500'000	61.00	305'000	0.57%
Dalradian Eur Clo 22 Var	750'000			750'000	12.00	90'000	0.17%
Barbican No.1 Ltd 18 Var	1'019'010			1'019'010	5.00	50'951	0.09%
CONTEGO CLO I 26 Var	500'000		500'000				
Dalradian Eur 3 23 Var	1'000'000		1'000'000				
Garda CLO 22 Var	1'000'000		1'000'000				
Leopard CLO II 19 Var	500'000		500'000				
Total Bonds in EUR						**44'794'079**	**83.29%**
Total Wertpapiere						**44'794'079**	**83.29%**

Alegra ABS Two (Euro) Fund

Inventory of Investment Assets

Title	Balance 31.12.2013	Bought (1)	Sold (1)	Balance 30.06.2014	Price in %	Value in EUR	% of NAV
Bankguthaben auf Sicht							
VP Bank AG						9'024'006	16.81%
Total						**9'024'006**	16.81%
Sonstige Vermögenswerte						**255'680**	0.48%
Gesamtvermögen						**54'073'765**	100.57%
Sonstige Verbindlichkeiten						**-377'169**	-0.70%
Nettovermögen						**53'696'596**	99.87%

(1) incl. splits, exchanges, scrip dividends and rights allocations

Supplemental Information

Business Year
Each business year runs from January 1 to December 31

Fund Currency
The currency unit of the investment company is the Euro (EUR).

Valuation Principles
The Fund's assets are valued as follows:

a) Securities or investment certificates which are traded on a public exchange or on a private but otherwise regulated exchange are valued at the last available market price. If a security is traded on several markets or exchanges and subject to lit b), the relevant valuation price is the price of that exchange where such security is mostly traded;

b) Not exchange-traded securities, as well as all other investment assets are valued by the Management Company at its likely market price based on good faith principles. The likely market price is the price which would likely be derived in a market with a sufficient number of buyers and sellers. The Management Company will largely use valuations made available on a regular basis by the original underwriters of the Fund's ABS securities, as well as valuations obtained by qualified third parties. These valuations are based on model prices or prices which securities were traded at. Model prices are largely based on the expected future market development. There is no certainty as to whether such prices may be realized in the market, and deviations to future realizable market prices may be material.

Market Development (Market Liquidity)
The Fund is invested in securitized instruments (CLO; CDO). In times of reduced liquidity, it is difficult to determine the market price of such instruments. The investments are valued according to the valuation principles as determined by the Management Company (see also lit. b) above).

c) Investment Undertakings are valued at the redemption price of the shares which in general is equivalent to the net asset value;

d) Liquid funds are valued at their face value plus accrued interest; and

e) Assets whose currency of denomination is not Euro will be valued in Euro, based on the average bid/ask exchange rate available in Liechtenstein or the market in which the respective currency is most actively traded.

The Management Company is permitted to use alternative valuation methods for the Fund's assets from time to time, if the valuation principles described above prove to be inappropriate or inadequate. In case of massive redemption requests, shares may be valued at the average price which was paid for the securities the Management Company was required to sell. In that case, this price will be applied for both the issuance and the redemption of shares as long as the requests were received by the Management Company at the same time.

Net Asset Value ("NAV") in this Semi-Annual Report was calculated pursuant to article 20, lit. 1(c) of the Ordinance of the Act on Investment Companies, on the last day of the reporting period and on the basis of the securities' last available market price. Consequently, the reported NAV per share may actually differ from the one used for the issuance and redemption of Fund shares as of the end of June.

Management Fee
For the management and administration of the Fund, as well as for Fund distribution in Liechtenstein and abroad, the Management Company charges to the Fund an annual all-in management fee according to Section 1 "Summary Terms of the Alegra ABS Two (Euro) Fund" of the Simplified Prospectus and the Full Prospectus. The fee is calculated on the average NAV of the Fund and is paid quarterly in arrears on a pro-rated basis.

The Management Fee also covers the costs of the Custodian

Custodial Accounts

Supplemental Information

for safe-keeping the Fund's securities, the management, administration and distribution costs of the Fund, as well as:

- the fee charged by the Fund's supervisor;
- printing costs of the annual and semi-annual reports;
- the costs for officially publishing the Fund's prices, and
- the Auditor's remuneration.

Taxes, if any, charged on the Fund's assets and income or expenses, are not covered by the Management Fee and will be charged directly to the Fund.

During the reporting period, the Management Company has charged an all-in management fee of 2.00% p.a.

Performance Fee
In addition, the Management Company charges a Performance Fee pursuant to Section 1 "Summary Terms of the Alegra ABS Two (Euro) Fund".

The Asset Manager is entitled to a performance-based compensation depending on the increase in the Fund's Net Asset Value ("Performance Fee"). If the monthly increase in Net Asset Value, after deduction of all costs (including the Management Company's management fee) exceeds the High Watermark, the Asset Manager receives a performance-based compensation of the value increase in excess of the High Watermark.

High Watermark principles are applied when calculating the Performance Fee. If the Fund experiences a decrease of Net Asset Value, no Performance Fee will be paid until such time the loss of Net Asset Value has been compensated in absolute terms. The Performance Fee is calculated and earned monthly, on the basis of the High Watermark value established at the beginning of each business year, but is paid quarterly only. If no Performance Fee was due at the end of a month, the High Watermark remains unchanged.

During the first half of 2014, a Performance Fee of EUR 274'120.90 was paid.

As per the end of the reporting period, the Fund's securities have been deposited with the following accounts:
- Euroclear Bank S.A., Bruxelles

Investment Decisions
Investment decisions have been delegated to Alegra Capital (Lie) AG, LI-9490 Vaduz, who acts as Asset Manager.

Publications
The Management Company publishes the audited Annual Report as well as an unaudited Semi-Annual Report of the Fund. These reports as well as the Full Prospectus and the Simplified Prospectus can be ordered free of charge from the Management Company, the Custodian, all distribution partners as well as the Paying Agent. The Net Asset Value per Fund share is officially published in the section of fund prices of the Liechtenstein Investment Fund Association (LAFV). The NAV and further information on this Investment Undertaking are also available on the internet under www.ifos.li.