French collective investment fund (FCP)

AXIOM CONTINGENT CAPITAL

ANNUAL REPORT

as of 29 December 2017

Management Company: Axiom Alternative Investments

Depositary: Caceis Bank

Statutory Auditor: PriceWaterhouseCoopers Audit

Axiom Alternative Investments – 39, Avenue Pierre 1er de Serbie, 75008 Paris, France

TABLE OF CONTENTS

1. Description of the Fund 3

2. Changes affecting the Fund 11

3. Management report 12

4. Regulatory information 24

5. Auditor’s opinion on the financial statements 28

6. Financial statements for the year 33

1. DESCRIPTION OF THE FUND

- **LEGAL FORM**
  French collective investment fund (*Fonds Commun de Placement*, FCP).

- **CLASSIFICATION**
  International bonds and other debt securities (*Obligations et autres titres de créances internationaux*).

- **PROCEDURES FOR DETERMINING AND ALLOCATING PROFITS**
  Class C, R, E, CHF and Z shares: the amounts available for distribution are fully reinvested except those amounts that, by law, are subject to mandatory distribution.

- **INVESTMENT OBJECTIVE**
  The Fund is a French collective investment fund (Fonds commun de placement, FCP) which seeks to obtain returns (net of management fees) similar to or greater than those of its benchmark index (BofA Contingent Capital Index), over an investment horizon of at least 3 years.

- **BENCHMARK INDEX**
  This Fund is not an index tracker but it is managed relative to a benchmark index. The Fund's performance may be compared retrospectively with that of the BofA Contingent Capital Index over an investment horizon of more than 3 years.

  The BofA Contingent Capital Index tracks the performance of investment grade or high yield bonds issued by financial institutions as securities to be included in their Additionnal Tier 1 and Tier 2 ratios.

- **INVESTMENT STRATEGY**
  Management policy
  The asset management company's investment process aims to take advantage of major opportunities in the international bond market. The Fund's investment policy is to select bonds or debt securities issued by financial institutions. The use of subordinated bonds, especially "Additional Tier 1" bonds will be at the core of the investment process, as these securities offer high yields that compensate for high risks, including:

- risk of coupon suspension: coupon payments are fully discretionary.
- risk of a trigger event: if a certain capital level is reached, these bonds are either converted into shares or partially or totally written down.
- risk of non-redemption: these are perpetual bonds that can only be repaid at the issuer's discretion on predefined call dates. The offering circular for a subordinated bond sets out the requirements and risks which apply to it as an instrument eligible as capital for financial institutions.

In order to optimise the portfolio's return, the investment process is divided into several steps:

Step 1: Assessment of the quality of the securities issued

- The management team defines the criteria and stress situations that are likely to affect the credit risk of each issuer based on the information supplied by the companies themselves (reports, press releases, company meetings), independent research and analysis by the research teams from leading investment banks.
- Only securities issued by companies with a proven track record, strong market positions and known and measurable competitive advantages are taken into consideration.
- Detailed scenarios and stress tests are prepared with different interest rates and credit spreads, for each credit rating category for the main bond maturities.
- Securities are selected by the asset managers based on an in-depth analysis of offering circulars.
- The acquisition or disposal of bonds or debt securities is also based on an in-house analysis of each issuer's credit risk. The Fund may be fully invested in debt securities of any quality, including a High Yield rating (securities considered highly speculative) from the main rating agencies–or a rating considered equivalent by the Management Company.

Step 2: Portfolio construction

- The portfolio is then constructed based on the choices made on risk allocation and security selection as outlined above.

- Portfolio construction ensures effective diversification, made possible by an allocation by type of issuer.
- However, exposure to each type of underlying assets may be as high as 100%.
- The asset managers may hedge currency and interest rate risk. Since part of the assets may be denominated in currencies other than the reference currency, the Fund will be systematically hedged against this risk. However, a residual risk remains.

Step 3: Portfolio monitoring

- The performance of underlying assets is regularly monitored via the publication of statistical data on the securities.
- Systematic monitoring of the trends in each sub-sector (issuer concentration, regulatory watch).
- Circumstances that are likely to affect the payment of coupons or the repayment of the principal are specifically monitored.

The Fund is constantly exposed to the interest rate markets of OECD countries, especially those of eurozone countries, the U.K., Switzerland and the U.S. Exposure to each of these markets may be as high as 100%.

For other OECD countries (excluding those referred to in the paragraph above), the Fund's exposure to each of these markets may not exceed 5% of the NAV.

Exposure to non-OECD markets is incidental (below 10%).

Bonds issued by both public and private sector issuers may be selected.

The acquisition or disposal of bonds or debt securities is based on an in-house analysis of each issuer's credit risk; the acquisition or disposal of a security is not based exclusively on ratings assigned by rating agencies.

The Fund is managed within a 0 to 10 sensitivity scale (see risk profile – interest rate risk).

Range of sensitivity to interest rates within which the Fund is managed	0 to 10
Currency of denomination of the securities in which the Fund is invested	International
Currency risk borne by the Fund	Minor because it only relates to the risk associated with an imperfect hedge
Geographic area of security issuers to which the Fund is exposed	OECD countries (all areas)

<u>Main asset classes (excluding embedded derivatives)</u>

Equities:
The Fund is not intended to hold stocks. However, since the UCITS may invest in bonds of any seniority or contingent convertible bonds, there is a chance that such instruments may be converted into shares at the initiative of the regulator or, for instance, in the event that a solvency ratio falls below a contractually agreed minimum level. If the bonds held in the portfolio are converted into shares, the UCITS may temporarily hold shares for up to 10% of its net assets and shall sell them as soon as possible in the holders' best interests.

Bonds and debt securities:
The Fund shall be invested in bonds issued by sovereign states, industrial, commercial and financial companies, as well as convertible bonds, shares or debt securities. All financial instruments may be fixed-, variable- and/or adjustable-rate securities. These securities issued by international issuers, may be secured, unsecured or subordinated.

Money market instruments:
During times when the investment strategy leads the management team to trim the Fund's exposure to bonds and/or other debt securities in order to attain the investment objective, the Fund may be exposed up to 100% to commercial paper, certificates of deposit and euro commercial paper. These financial instruments may also be used on an incidental basis as cash investments.

Shares or units from other UCITS and/or AIFs:
Exposure to funds classified as "bond and/or money market", which may not exceed 10%, will be aimed at helping to achieve the Fund's objective. On an ancillary basis, the Fund may also invest its cash in money market funds.

In order to deliver the target investment return, up to 10% of the Fund's assets may be invested in French securitisation funds (FCTs) or their equivalent.

The Fund may be invested in European UCITS and AIFs open to non-professional investors. The Fund may be invested in other collective investment undertakings managed by AXIOM ALTERNATIVE INVESTMENTS.

Securitisation:

On an ancillary basis, the Fund may also be invested in securitised products via the UCITS or AIFs in which it invests.

Derivative instruments

For hedging or exposure purposes, the Fund may trade in any forwards/futures or options, provided that their underlying assets have a direct financial relationship or correlation with an asset held in the portfolio.

Types of markets in which the Fund may be invested:

- regulated: yes;
- organised: yes;
- OTC: yes.

Risks to which the fund manager intends to seek exposure:

- equity: yes (for hedging purposes);
- interest rate: yes;
- currency: yes;
- credit: yes;
- index: yes (interest rates);
- dividends: yes.

Purpose of the investments:

- hedging: yes;
- exposure: yes;
- arbitrage: no.

Types of instruments used:

- futures: yes;
- options: yes;
- swaps: yes;
- currency forwards: yes;
- credit derivatives: yes, CDS.

GBP-denominated Class E shares and CHF-denominated Class CHF shares will be systematically hedged against the risk of fluctuation in the exchange rate between their respective currencies of denomination and the Euro. The asset manager will use financial forwards in an effort to seek systematic and comprehensive hedging. This hedge will be ensured through financial instruments minimising the impact of hedging transactions on other share classes, most of these instruments being currency forwards.

Derivative contracts may be entered into with counterparties selected by the Management Company in accordance with its Best Execution/Best Selection policy and with the procedure for authorising new counterparties. The latter may be large French or foreign counterparties such as credit institutions or banks. They are subject to exchanges of collateral. It should be noted that they do not have any discretion in the composition or management of the Fund's portfolio, and/or in the underlying assets of the financial derivatives.

Such instruments are subject to various types of risks, including, for instance, market, liquidity, credit, counterparty, legal or operational risk.

Securities with embedded derivatives

The Fund may be invested in securities with embedded derivatives.

Risks to which the fund manager intends to seek exposure:

- equity: yes;
- interest rate: yes;
- currency: yes;
- credit: yes;
- index: yes.

Purpose of the investments:

- hedging: yes;
- exposure: yes;
- arbitrage: no.

The types of instruments used will include:

- Convertible bonds or any other fixed-income investment vehicle carrying a conversion or subscription right;
- Warrants;
- EMTNs;
- CLNs;
- Subscription rights;
- Preferred shares: American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs) (certificate allowing investors to buy stocks in foreign markets).

Deposits

The Fund may make deposits up to 20% of its NAV (per entity) and for a maximum duration of 12 months, with one or more European credit institutions.

Cash borrowings

Under normal operating conditions, the Fund may also have a temporary debit balance and may, in this case, use cash borrowings up to 10% of its NAV.

Securities financing transactions

Types of securities financing transactions:

- repurchase agreements and reverse repurchase agreements pursuant to the French Monetary Code: Yes;
- securities lending and borrowing transactions pursuant to the French Monetary Code: Yes.

Purpose and impact of these transactions, which may only be intended to achieve the investment objective:

- cash management: Yes;
- optimisation of the UCITS' income: Yes;
- potential contribution to the UCITS' leverage: No;
- other.

The target percentage of assets under management which may be used in such transactions or contracts will be "below 10%". However, the Fund may enter into securities financing transactions up to 100% of its assets under certain market conditions.

The Fund’s exposure to derivatives, embedded derivatives and repurchase agreements and reverse repurchase agreements may not exceed 100% of its assets.

The Fund’s total commitments on and exposure to physical securities may not exceed 200% of its assets.

- **RISK PROFILE**

The Fund will be mainly invested in financial instruments selected by the Management Company. These instruments will be subject to the ups and downs of financial markets.

The Fund is a UCITS classified as "International bonds and other debt securities" (*obligations et autres titres de créance internationaux*).

Risk factors include, but are not limited to, those outlined below. It is the investor’s responsibility to analyse the inherent risk of this investment and to ensure that it is appropriate to their financial situation.

When investing in this Fund, the investor may be exposed to the following risks:

Risk related to subordinated bonds

The use of subordinated bonds, especially "Additional Tier 1" bonds exposes the Fund to the following risks:
- trigger event: if a certain capital level is reached, these bonds are either converted into shares or partially or totally written down.
- coupon cancellation: coupon payments on such instruments are entirely discretionary and may be cancelled by the issuer at any time, for any reason, and for any length of time.
- capital structure inversion risk: contrary to usual capital hierarchy, investors in such instruments may suffer a capital loss, as a subordinated creditor will be repaid after ordinary creditors but before shareholders.
- call extension risk: Such instruments are issued as perpetual instruments, callable at pre-determined levels only with the approval of the competent authority.
- Yield/Valuation risk: The attractive yields of such instruments may be viewed as a complexity premium.

The materialisation of any of these risks may lead to a fall in the UCITS' net asset value.

Risk of capital loss
The Fund offers no capital guarantee or protection. Therefore, investors may not recover their initial investment in full.

Interest rate risk
When interest rates rise, the value of the Fund's investments in fixed-rate (and potentially variable-rate) bonds and in certain fixed-income UCITS or AIFs is reduced. As such, the Fund's NAV is increased or reduced by interest rate fluctuations.

This risk is measured by the Fund's interest rate sensitivity or "modified duration", which ranges between 0 and 10.

The occurrence of these risks may lead to a fall in the UCITS' net asset value.

Credit risk
This risk arises from the possibility that a bond or debt security issuer might not be able to meet its payment obligations, namely coupon payments and/or capital repayment at maturity. Such a default may result in a decrease in the Fund's NAV. Credit risk also includes the risk of a downgrade in the issuer's credit rating.

This risk is especially high as the Fund may invest in securities rated below B- by Standard and Poor's, B3 by Moody's, B- by Fitch Ratings or B Low by DBRS (the highest rating will be applied), or having no rating, or having a rating considered equivalent by the Management Company.

On an ancillary basis, the Fund may be exposed to non-OECD countries.

The occurrence of these risks may lead to a fall in the UCITS' net asset value.

Counterparty risk
The Fund may enter into securities financing transactions and/or OTC derivative contracts. Therefore, it is exposed to the risk of default of the counterparties to such transactions, which may result in a decrease in its net asset value.

Risk related to securitised products
The Fund may also be exposed to these instruments via the UCITS or AIFs in which it may be invested.

For such instruments, credit risk lies mainly in the quality of the underlying assets, which may vary in nature (bank loans, debt securities, etc.).

These instruments are the result of complex structures which may carry legal and specific risks related to the characteristics of the underlying assets.

Liquidity risk
Risk arising from the potential difficulty or impossibility of selling securities held in the portfolio when necessary and at the portfolio valuation price, due to the limited size of the market or insufficient trading volumes in the market where these securities are usually traded.

The occurrence of these risks may lead to a fall in the UCITS' net asset value.

Currency risk (ancillary)

Since part of the assets may be denominated in currencies other than the base currency, the Fund may be affected by changes in foreign exchange controls or in exchange rates between the base currency and these other currencies. As a result, the Fund will be systematically hedged against this risk. However, a residual risk remains. Such fluctuations in exchange rates may lead to a fall in the Fund's net asset value.

For Class E and Class CHF shares, the fund manager shall systematically and totally hedge the portfolio against the EUR/GBP and the EUR/CHF exchange-rate risk. However, a residual risk remains.

Risk related to discretionary management
This risk arises from the selection of securities and financial instruments carried out by the fund manager. Therefore, the Fund may not always be exposed to the best-performing financial instruments.

The occurrence of these risks may lead to a fall in the UCITS' net asset value.

Risk related to non-OECD countries
The prices of securities from non-OECD issuers may be subject to substantial volatility. The operational conditions and conditions of control by the authorities for these securities may differ from those prevailing in major international markets.

The occurrence of this risk may lower the net asset value of the UCITS.

Legal risk
The use, among others, of securities financing transactions and total return swaps gives rise to complex financial structures that may carry legal risks, which may be due in particular to the contracts with the counterparties being poorly drafted. The occurrence of these risks may lead to a fall in the net asset value of the Fund.

Operational risk
Risk of losses resulting from the inadequacy or inefficiency of internal processes, persons, systems or from external events. The occurrence of these risks may lead to a fall in the net asset value of the Fund.

- **ELIGIBLE INVESTORS AND TYPICAL INVESTOR PROFILE**

The Fund is intended for all investors seeking a return net management fees similar to or greater than the BofA Contingent Capital Index.

The recommended minimum investment horizon for the Fund is 3 years.

The reasonable amount to invest in the Fund depends on each investor's individual situation. To calculate this amount investors must take into account their personal assets and financial plans as well as their level of risk aversion. Investors are strongly advised to diversify their investments sufficiently so that they are not solely exposed to the risks associated with this Fund.

2. CHANGES AFFECTING THE FUND

31 January 2017:

1 - Performance, ongoing charges and performance fees for the year 2016 have been updated on the KIID
2 - Addition related to the entry into force of UCITS 5: paragraph on the depositary and remuneration policy
- Change in the wording of references to investments in other collective investment undertakings (in the section “Main asset classes used”): the collective investment undertakings in which the funds may invest are no longer referred to as belonging to the “money-market” or “bond” fund categories.
- Change in the legal name of Caceis Bank

3. MANAGEMENT REPORT

The rally initiated at the end of 2016 continues in **January**.

The trend towards regulatory forbearance is confirmed. The new Trump administration is in discord with the rules of the Dodd-Frank Act and the Basel Committee has not been able to maintain a consensus on the so-called “output floors”. These successive postponements are viewed positively by the market. They show a regulatory return to simple rules, adapted to each country, in the context of economic recovery.

The outlook on fundamentals is also improving. Increasing interest rates are pulling revenues up and the Q4 market volatility is supporting investment banking activities. Unicredit is launching an outstanding €13Bn capital increase and BCP in Portugal announced one of its own for €1.3Bn.

Valuations have been supported by a consolidating bank sector. In Italy, UBI has repurchased three regional banks and there are rumors surrounding a joint approach between Intesa an Allianz concerning Generali’s activities.

The primary market has been active. Several banks have taken advantage of the market’s good performance in order to issue new AT1s - Intesa in euros at 7.75% and Standard Chartered in USD at 7.75%. Rabobank issued €1.5Bn of listed certificates to bring the total issue size to €7.5Bn with a generous price of 108 (it initially traded at 114 before this announcement).

The month ended slightly more reinforced after comments from the ECB on a possible tapering of its QE policy.

We remain confident about the AT1s’ potential to keep performing in this favorable financial and regulatory environment. Spreads are still 100 bps higher than those at the beginning of 2015 and their floating rate structure is attractive considering the possible tapering of QE policy and a rise in interest rates.

Axiom Contingent Capital ends the month with a performance of + 1.44%.

The bond market in **February** was marked by a spread widening on sovereign bonds, particularly those of Italy, Spain and France against those of Germany. The uncertainties surrounding the French President Election are of great concern to the market. Despite this volatility, the price of financial subordinated debts has risen and the Itraxx Sub Financials indexes have remained stable, at around 210 pts.

AT1s increased strongly at the end of the month in light of low net issuance (Barclays issued one AT1 in £ at 7.25% coupon in which we participated). Only the AT1s of French banks dropped in the middle of the month, allowing us to buy some rather opportunistically (BNP, Société Générale and Crédit Agricole). For example, BNP 6 1/8 has fallen by more than 3% in a bull market!
We have sold our entire position on Deutsche Bank's AT1 after its very strong growth. This position, which consisted of 71.5% to 84.5% of the purchase price, was fully sold at 91.56% mid-February.

The fundamentals of the banking sector continue to improve. The annual earning period revealed a better quality of outstanding loans (lower provisions, lower non-performing loans ratios), costs under control (after adjusting exceptional items) and sustained income despite the ultra-low interest rate environment in 2016. The excellent results of ABN Amro, Coventry Building Society and Erste Bank are noteworthy. Disappointment came from two of the biggest institutions, BNP Paribas and HSBC (they respectively showed a decline in retail banking income in France and a weakness in non-USD currencies). Only HSBC AT1s reacted negatively to these results, offering an attractive entry point to reinforce our exposure within the portfolio.

The financial debt market continued to increase in **March**. Interest rates remained stable over the month, particularly after Donald Trump encountered difficulties in reforming the Obamacare program.

The market still remains unaffected by certain geopolitical risks such as the French presidential elections and with the Brexit process underway as demonstrated by the tightening by 30bp of the Subfin, Tier 2 index of European financial issuers (+24 bps contribution in the fund). This paradox led us to reduce the fund's exposure to this index by 5%.

The fundamentals of the sector remain strong. A year or so after considerable media attention, Deutsche Bank has succeeded in its capital increase of 8 billion euros. Deutsche Bank’s AT1 performed strongly following this news, and we took the opportunity to remove the residual position in the fund.

Spreads tightening is still conducive to an active primary market: Macquarie bank issued its first AT1 at 6.125% in $ (we participated in the issue to diversify the geographic exposure of the fund), SEB AB at 5.625% in $ (we did not participate because we think that the risk related to Bale IV is not taken into account), Santander UK at 6.75 in £ (we participated), Danske Bank in DKK (we participated because its currency and its variable coupon will reduce the volatility of the bond), Caixa Geral at 10.75% in € (we participated to take advantage of improving fundamentals in Portugal), and finally RSA at 550bps spread with the first "Restricted Tier 1" issued by an insurer (we also participated to improve the diversification of the fund and take advantage of the solid profile of this insurer).

The fund ended the month up 0.93% and has risen by 4.18% over the year.

Macron's victory in the first round sparked a relief rally. Uncertainty with regards to opinion polls maintained the Subfin index above 200bp, it narrowed by more than 30 bp over the last week. Bank stocks jumped 6% and AT1s, especially French names, surpassed their historical highs. Despite rapid adjustment processes, financial indices tend to always fall behind corporate ones. By way of comparison, the EUR HY Corporate index (BEUH) has a return of 2.7% while the EUR HY Financial index (BEUHFI) remains at 3.7%

The surprise announcement of legislative elections in the UK to strengthen the government of Theresa May has provoked a feeling of collective solidarity from the other 27 EU members. The negotiations promise to be tense, each member state acting from a position of strength. However, liquidity, which remained behind, continues to be deployed and valuations stabilize at levels where fundamentals are again dominating.

The first-quarter earnings season showed profits in Swedish banks and solid revenues at Santander, BBVA and Lloyds, while Credit Suisse confirms its capital increase for CHF 4bn. Deutsche Bank has completed its own capital increase for Eur 8Mds and is now focusing on its restructuring. It is now Banco Popular that is likely to launch a new capital increase. The Spanish bank had to correct its 2016 accounts for provisions on non-performing loans and replaced the management which had already carried out a capital increase in June 2016. The bank is now exploring several scenarios to retain its financial flexibility with asset disposals and a possible merger.

The primary activity was limited to two new AT1s issued by Erste Bank and Santander in which we participated.

The fund ended the month up 2.52% carried by all the bonds in the portfolio that performed well.

May started with Emmanuel Macron's victory in the second round of the French elections, confirming the trend initiated in the first round and favoring the AT1 market.

Four banks took the opportunity to issue new AT1s. Sabadell issued its first instrument with a coupon of 6.5%. HSBC, BBVA and Unicredit completed their program with respective coupons of 6% (USD), 5.875 and 6.625. We have participated in all these issues except BBVA because the bond was too expensive from our point of view.

At the end of the month, three developments put a lid on this strong rally: firstly, a possible agreement on the future electoral law in Italy could give rise to early elections, especially if the Democratic Party wins the local elections in June.

Secondly, the EBA released an opinion, although purely consultative, on the redrafting of the CRD/CRR package which recommends not changing the distribution hierarchy under a breach of the Combined Buffer. Finally, the woes of Banco Popular in Spain grew larger as, according to the local press, all potential buyers but Santander pulled out from the process. The poor handling of the process, a mix of M&A, asset sales and capital raise without any coordination or any clear strategy, weighed heavily on the valuations of AT1s and legacy T1s but no contagion to the rest of the market.

Lastly, more and more news articles are evoking the possibility that Bale 4 might finally be adopted when the Basel Committee meets on June 15th. This would be an important catalyst for the financial sector, with a new wave of equity capital.

The fund ended the month up 0.60%.

June was a lively month for the banking sector. It started with the announcement of Banco Santander's purchase of Banco Popular, and ended on bullish rate movements following the ECB's annual forum and several speeches from central bankers concerning the exit of the QE.

The resolution of Banco Popular was undoubtedly the highlight of the month. This very severe resolution was particularly unexpected by banking sector specialists. Furthermore, the completely indistinguishable treatment between AT1, T1 and T2 (which were all reduced to zero) came as a surprise. 1.17% of Axiom Contingent Capital was exposed to the Spanish bank. We wrote a research note on this subject which is available on request.

Considering how this first banking resolution was carried out by the SRB (Single Resolution Board), we have decided to strengthen the credit quality of the fund. From now on, the fund will invest exclusively in securities issued by issuers with an investment grade rating on their senior debt (which already represented 97.4% of the portfolio before Banco Popular).

Italy also experienced three bank restructurings. Uncertainties removed, investors can once again focus on the improving fundamentals of leading European banks, with an outperformance of peripheral banks (+11 bps for CaixaBank for example). The series of upgrades continue this month with RBS, Sabadell, Bank of Ireland and AIB seeing their credit rating improving and with a move into investment grade territory in unsecured senior debt.

As a result, the Itraxx sub index tightened sharply from 158bps to 133bps, driven also by the announcement of the replacement of Opco entities by Holdcos (+5bps contribution in the fund). We took advantage of this move to sell the entirety our exposure on Itraxx (winning position within the portfolio).

The AT1 market also benefited from this positive context. Caixabank and RBI issued their first AT1 at 6.75% and 6.125% respectively in which we participated. HSBC took advantage of low rates to issue 4.75% on a 12-year non-call format. We also participated in this.

July saw another leg of appreciation in a context of low volatility supported by dovish comments from the Central banks. The VIX index (implicit index for options on the S&P 500) reached its lowest level since its inception at 9.20.

This appreciation is part of a global normalization trend of the financial sector; it is therefore normal that spreads are converging towards corporate credit. A combination of factors drove investor appetite: the resolution of the Venetian banks and the approval of the Monte Paschi recapitalization (we took advantage of the prices' rise to sell all our position). Only Banca Carige, Novo Banco and Co-operative Bank remain on the list of distressed European banks (we don't have any of these names in the portfolio). We will also note the announcement by RBS of its settlement with FHFA on US claims RMBS for $4.75 bn and the closing of Unicredit's sale of NPLs for €16.2 bn.

The earnings season started. After three consecutive positive quarters, the trend is now a significant decrease in market revenues due to falling volatility but still an important increase of capital ratios.

Instruments with the highest beta benefited most from this positive context, in particular AT1s (+2.06% over the month for the Bofa Coco Index). Despite the tightening of spreads, only Bankia came on the market to issue its first Basel 3 bond: a non-call 5 year with a 6% coupon (we participated in the issue).

We took advantage of this context to reduce the fund's exposure, especially on peripheral banks that have a significant sensitivity to the market (Unicredit 6.75%, +3.50% over the month).

We also reduce our exposure on bonds wiht short calls (<2 years). There is a strong appetite for these instruments (KBC 5.625, call 19/03/2019 with 2.50% yield) because the market anticipates that the call will be exercised given the issue spread (+475bps for KBC).

Axiom Contingent Capital is up 1,84% over the month and 8,59% YTD.

As opposed to previous years, the month of **August** was relatively calm for markets. After a valuation peak in the banking sector (its highest since the beginning of the year), the market eventually landed near its end of July level. Investors' concerns about ECB tapering, a downturn in US inflation and geopolitical frictions in the Far East then took over to leave the Itraxx Sub fin index slightly wider by 6bp at the end of the month.

In early August, Barclays took advantage of the low spreads to issue a new AT1 of £1.25bn with a 5.875% coupon. We did not participate in this issuance.

More generally speaking, considering that the risk of a Brexit setback does not seem to be included in the valuations, we took advantage of the high point to reduce our exposition to the UK, notably by taking profits on Coventry and Nationwide.

The main contributors this month were the bonds issued by RBS after the release of some historically strong earnings, while bonds with a strong beta, especially from Italian and Spanish banks, decreased.

Economic prospects in Europe are clearly improving, heralding a relatively calm end of the year.

The fund is flat -0.01% this month and up 8.58% YTD.

Subordinated financials continued their upward trend during **September** in a context of historically low volatility, with a tightening of 20bps for the SubFin iTraxx index.

On the market, Liberbank announced a capital increase of €500m aimed at strengthening its asset coverage, while Co-Operative Bank successfully completed its recapitalization.

A conference about NPLs gathering every market player took place in Italy. Disposal of bad loan portfolios is gaining momentum under the pressure of the regulator. Banco BPM is about to sell a €5bn bad loan portfolio, while Banca Carige has announced a €1.4bn reduction plan of its portfolio. Unicredit is preparing for a second NPL deal for a gross book value between €1-1.5bn.

M&A theme is back on the front of the stage: after Abanca, Unicaja and CaixaBank are interested in bidding for Liberbank, Unicredit is rumoured to have approached the German State about Commerzbank, Banque Internationale à Luxembourg has been sold by its Qatari owners to a Chinese conglomerate.

In September, the AT1 pocket performed well thanks to a very active primary market. We participated in the new issuances of: Julius Baer (4.75% USD, call in 7 years), Jyske Bank (4.75% EUR, call in 10 years), Santander (5.25% EUR, call in 6 years) and NIBC Bank (6% EUR, call in 7 years). However, we left out some issuances that we deemed had less potential such as ABN AMRO (4.75% EUR, call in 10 years) due to the risk of Basel 4 output floors and Investec (6.75% GBP, call in 5 years) because of its high exposition in South Africa.

We did not do any arbitration this month as the low volatility of the asset class didn't favor relative value strategies.

Major positive contributors this month were the Austrian banks Erste Bank and Raiffeisen Bank (+8bps) while Spanish banks suffered from the approaching Catalan referendum (-3bps).

The fund ended the month up 0.38% and up 8.99% since the beginning of the year.

October :
Subordinated financials continued to grow at the same pace as in September, as the tail risk of Catalonia's independence receded and the ECB adopted a more dovish stance talking about QE recalibration as anticipated by the markets.

On the regulatory front, the Basel Committee has yet to reach an agreement on RWA minima and French banks are defending their interests by pushing for the implementation of the review of trading books. The ECB announced a consultation on NPL measures but national interest again prevailed with the Bank of Italy voicing strong opposition.

The earnings season revealed substantial capital increase from a number of banks in the UK (RBS and Lloyds), Spain and Italy (Unicredit), while others achieved significant progress on reducing their NPLs (Caixabank, Liberbank). Consequently, the trend towards rating upgrades continued. Only Barclays and Deutsche Bank's investment banks published disappointing results. It is interesting to note as well that Liberbank has successfully raised €500m and Carige is currently finalizing its capital increase.

The sector's consolidation continued as Novo Banco completed its sale to Lone Star, HSH is gathering bids and Commerzbank has nominated two advisors for possible M&A scenarios.
Liberbank is also about to launch its rights issue and Carige is in the process of realizing its own capital increase. FirstRand has made a takeover bid on Aldermore for £1.1 bn.

AT1s had the strongest uptrend this month. The Santander 5.25 issued at the end of September and in which we participated ends at 106% (6bps of contribution for the fund). Few banks issued new securities before the publishing of earnings results. Only ASR, a Dutch insurer, issued the first RT1 (Restricted Tier 1, AT1 for insurers) in euros in which we participated. The coupon of 4.625% over 10 years seems attractive in respect to the quality of the insurer.

S&P's Italian upgrade from BBB- to BBB on October 27th was followed by an upgrade on the long and short-term ratings of 11

Italian financial institutions leading to a market rally between Italian issuers. Our overweight position in Intesa and Unicredit (positions above 10%) enabled the fund to benefit from this positive rating movement (+60bps of contribution)

The fund's performance has risen by +2.81% this month, bringing the year-to-date performance to +12.06%.

November :
The Q3 results in the financial sector highlighted once again the positive trends there: higher capital ratios (Unicredit, Intesa, Commerzbank), improving asset quality (ABN Amro, Credit Agricole), guidance towards annual profits for 2017 (Commerzbank, NDB) and new targets announced during investor days for Credit Suisse, Societe Generale and BPCE.

The EBA Transparency Exercise also disclosed a clear improvement in the banks' exposure to non-performing loans; particularly in peripheral countries such as Spain and Portugal (we published a note on this which is available on our website). In the UK, the regulator published the results of its stress tests, confirming the resilience of the sector in the context of Brexit. Lastly, the rating agencies further confirmed the trend: the British banking sector now has a positive outlook at S&P, while Italian banks and Raiffeisen Banking Group in Austria were upgraded by S&P and Moody's respectively.

On the regulatory front, the ECB had to delay its initiative of provisioning NPLs under the pressure of the European Commission. On the other hand, the timing is imminent for Basel 4: international regulators should announce an agreement shortly, with a minimum of RWAs at 72.5%.

Meanwhile the sector continues its transformation: Credit Agricole has acquired Banca Leonardo, the Italian insurance company Cattolica and Banco BPM have entered into a 15 years strategic partnership, BBVA is targeting acquisitions in the United States and Belfius and Deutsche AM are preparing their IPOs.

The primary market has been active with AT1s issued by BNP ($ 750m), BBVA ($ 1bn), Sabadell (€ 400m) and Nordea (€ 750m), T2s (Sainsbury Bank, Vivat and BCP) as well as Restricted Tier 1 (AT1 format for insurers) issued by QBE ($ 400m) and Direct Line (£ 350m). On the legacy instruments front, corporate actions continued with a tender from Credit Logement on its Legacy Tier 1 floater.

During the month of November, the fund participated in the new issue of Nordea for its Investment Grade rating and first appearance in Euro. The main negative contributor of the month was HSBC whose bonds fell by 3 points. The market downturn led us to make some shifts in the portfolio. More particularly, we sold bonds from Lloyds, ING, Crédit Agricole and BNP and bought bonds from Sabadell now that the situation in Catalonia has settled down.

The fund ended the month down slightly (-0.04%) while the Bofa Coco index was down 0.27%. The fund is however up + 12.01% since the beginning of the year.

December :
The sector ended the year on a positive note and thus has achieved an overall good performance in 2017.

The year was essentially marked by a sharp reduction in the stocks of non-performing loans from European banks, reducing the main risk in the sector. However, the peripheral banks will have to continue their efforts in 2018, especially since they are facing the pressure of the regulator who wants to put in place the European Deposit Guarantee Scheme (EDIS) in a completely consolidated environment.

The credit enhancement cycle continues with the rating agencies: Portugal and Ireland were upgraded by Fitch. We should continue to see upward revisions in 2018 as the quality of European bank assets normalizes.

Mergers and acquisitions should be a major theme in 2018 encouraged by the regulator who is putting constant pressure on high NPE banks.

2017 marks the end of regulatory uncertainties after the Basle 3 agreement, which has been under discussion for several years, was finally finalized on 8 December. The political context also offers some relief with the Brexit negotiations which resulted in an agreement for phase 1 and a mixed but constructive outcome in the elections in Catalonia.

During the month of December, the AT1 market was particularly sluggish, with 1-month volatility slipping to a record low of 0.93%. In this context, few arbitrages were made in the portfolio.

In the primary market, we participated in the new issue of a Restricted Tier 1 by Direct Line (anEnglish insurer) because we found the spread attractive. This new issuance increases exposure to insurers (10% of the fund).

In presenting its quarterly results, Unicredit also announced a new AT1 issuance. We did not participate because we found that the return was not attractive enough compared to existing issuances with higher call spreads.

The fund ended the month up 0.29% and has achieved an overall performance of + 12.33% in 2017.

Exposure

Axiom Contingent Capital has entered into currency forward contracts with its counterparty Caceis for the purpose of hedging its portfolio against currency risk associated with foreign currency investments. As of 29 December 2017, the fund was 99.40% hedged.

The fund was also invested in CDS (credit default swaps) hedges with the following counterparties: BARCLAYS. As of 29 December, the fund was 8.93% exposed through derivatives (especially CDS) and 88.07% exposed through embedded derivatives (especially AT1).

Performances

Axiom Contingent Capital	2017
Part C	12,33%
Part R	11,78%
Part Z	13,18%

Past performance is no guarantee of future results.

Main portfolio changes during the financial year

Securities	Changes ("Accounting currency")	
	Acquisitions	Disposals
UNION + SI.3 DEC	7,078,651.59	10,654,916.72
BPCE 6.117% PERP EMTN	2,055,000.00	2,000,000.00
AXA SA TF/TV PERP.	2,037,050.00	2,000,000.00
BANK OF NOVA SCOTIA TORONTO 4.65% PERP	1,700,463.38	1,706,578.69
HSBC HOLDINGS PLC 5.25% PERP	1,991,200.00	1,343,327.50
INTESA SANPAOLO 7.75% PERP	2,000,000.00	1,287,500.00
STANDARD CHARTERED PLC 7.75% PERP	2,197,067.39	1,036,952.17
NATIXIS 6.307% PERP	1,530,000.00	1,500,000.00
RAIFFEISEN BANK INTERNATIONAL AG 6.125% PERP	2,000,000.00	1,005,200.00
UNICREDIT SPA 6.625% PERP	1,650,000.00	1,057,827.50

ESMA

- **EFFICIENT PORTFOLIO MANAGEMENT TECHNIQUES AND DERIVATIVE INSTRUMENTS**

a) Exposure obtained through efficient portfolio management techniques and derivative instruments

- Exposure obtained through efficient portfolio management techniques:
  - **Securities lending:**
  - **Securities borrowing:**
  - **Reverse repurchase agreements:**
  - **Repurchase agreements:**

- Underlying exposure obtained through derivative instruments: **18,362,586.03**
  - **Currency derivatives: 15,323,750.76**
  - **Futures: 2,904,835.27**
  - **Options: 134,000.00**
  - **Swaps:**

b) Identity of the counterparty(ies) to the efficient portfolio management techniques and derivative instruments

Efficient portfolio management techniques	Derivative instruments (*)
	CACEIS BANK (FRANCE)

(*) Except listed derivatives.

c) Collateral received by the UCITS to reduce counterparty exposure

Types of instruments	Portfolio currency amount
Efficient portfolio management techniques	
. Term deposits	
. Shares	
. Bonds	
. UCITS	
. Cash (**)	
Total	
Derivative instruments	
. Term deposits	
. Shares	
. Bonds	
. UCITS	
. Cash	
Total	

(**) The cash account also includes cash from repurchase agreements.

d) Income and operating costs related to efficient portfolio management techniques

Income and operating costs	Portfolio currency amount
. Income (***)	1,035.20
. Other income	
Total income	**1,035.20**
. Direct operating costs	
. Indirect operating costs	
. Other costs	
Total costs	

(***) Income from securities lending transactions and reverse repurchase agreements.

- **TRANSPARENCY OF SECURITIES FINANCING TRANSACTIONS AND OF REUSE (SFTR REGULATION), in the accounting currency of the Fund (EUR)**

	Securities lending	Securities borrowing	Repurchase agreements	Reverse repurchase	TRS

a) Securities and commodities on loan

Amount					
% of net assets*					

**%* *excluding cash and cash equivalents*

b) Assets engaged in each type of SFT and TRS expressed as an absolute amount

Amount					
% of net assets					

c) Top 10 issuers of collateral received (excluding cash) for all types of financing transactions

d) Top 10 counterparties in terms of absolute value of assets and liabilities without netting

e) Type and quality of collateral

Type					
- Shares					
- Bonds					
- Collective investment undertakings					
- Transferable debt securities					
- Cash					
Rating					

f) Settlement and clearing of contracts

Tri-party					
Central counterparty					
Bilateral	X			X	

g) Maturity tenor of the collateral broken down in the following maturity buckets

Less than 1 day					
1 day to 1 week					
1 week to 1 month					
1 to 3 months					
3 months to 1 year					
Above 1 year					
Open maturity					

	Securities lending	Securities borrowing	Repurchase agreements	Reverse repurchase	TRS

h) Maturity tenor of SFTs and TRS broken down in the following maturity buckets

Less than 1 day					
1 day to 1 week					
1 week to 1 month					
1 to 3 months					
3 months to 1 year					
Above 1 year					
Open maturity					

i) Data on reuse of collateral

Maximum amount (%)					
Used amount (%)					
Income received by the Fund from reinvestment of euro-denominated cash collateral					

j) Data on safekeeping of collateral received by the Fund

Caceis Bank					
Securities					
Cash					

k) Data on safekeeping of collateral granted by the Fund

Securities					
Cash					

l) Breakdown of data on income and costs

Income					
- Fund				1,035.20	
- Fund manager					
- Third parties					
Costs					
- Fund					
- Fund manager					
- Third parties					

e) Data on type and quality of collateral

Axiom Alternative Investments endeavours to only accept securities with a high credit quality and to enhance the value of its collateral by applying valuation discounts to the securities received.
This system is regularly reviewed and updated.

1. **i) Data on reuse of collateral**

Cash collateral received is reinvested in the following five vehicles:

- o Short-term money market UCITS (as defined by ESMA in its Guidelines on ETFs and other UCITS issues)
- o Deposits

o High-quality long-term government bonds

o High-quality short-term government bonds

o Reverse repurchase agreements

The maximum reuse amount is 0% for securities and 100% of the amount received for cash. The amount used is 0% for securities and 100% for cash received.

k) Data on safekeeping of collateral granted by the Fund

Axiom Alternative Investments endeavours to work with a small number of custodians, selected to ensure proper safekeeping of the securities and cash received.

l) Breakdown of data on income and costs

Any income from securities financing transactions, net of operating costs, shall be returned to the Fund.
Repurchase agreements and securities lending transactions are entered into with market counterparties, with Axiom Alternative Investments acting as intermediary.

4. REGULATED INFORMATION

- **PROCEDURE FOR SELECTING AND ASSESSING INTERMEDIARIES AND COUNTERPARTIES**

The Management Company selects brokers and counterparties according to a specific process in compliance with applicable regulations, including the provisions of Article 322-50 of the General Regulation of the French Financial Markets Authority (*Autorité des marchés financiers*, AMF). As part of this selection process, the Management Company complies at all times with its 'best execution' obligation. The objective selection criteria used by the Management Company are, among others, the quality of order execution, the fees charged and the financial solidity of each broker or counterparty.

- **VOTING POLICY**

The voting rights attached to securities held by the Fund are exercised by the Management Company, which has exclusive authority to make decisions, in accordance with applicable regulations.
The voting policy of the Management Company is available at its registered office, in accordance with Article 322-75 of the AMF General Regulation.

- **ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE CRITERIA (ESG CRITERIA)**

Since 1 July 2012, the information relating to the implementation of Environmental, social and corporate governance criteria (ESG criteria) has been available on the website www.axiom-ai.com and included in the annual report. The investment selection process does not systematically or simultaneously take into account all ESG criteria.

- **CALCULATION METHOD FOR GLOBAL EXPOSURE**

The Management Company uses the commitment approach to calculate the Fund's global exposure to financial contracts.

- **REMUNERATION POLICY**

1. Introduction

The remuneration policy implemented by Axiom AI is consistent with the risks to which it may be exposed. The principles adopted are not conducive to risk-taking at the expense of clients' interests. Remuneration is individual and negotiated on signing of the contract by Axiom's management.
Depending on the position and the level of responsibility, the total remuneration package is composed of a fixed element and a variable element:

- the fixed element remunerates the candidate's expertise, experience, qualifications and involvement in the tasks assigned
- the variable element remunerates quantitative and/or qualitative performance measured based on observed results and individual assessments, against the objectives set. It is determined according to the market (local and/or industry-level), results achieved by the business and performance against objectives. It does not constitute a right and is fixed each year in accordance with the remuneration policy for the year in question and the governance principles in force. Objectives are set individually and/or collectively, based on qualitative and quantitative criteria. They are discussed and validated with the employee concerned and with the management

Employee remuneration is reviewed every year by the senior management based on annual evaluations conducted by line managers.
This policy is documented and is an integral part of the company's set of internal policies. It is updated annually to take into account any regulatory changes.
The 16 "general" principles appearing in Annex II of the AIFM Directive will be complied with by Axiom AI.

2. Governance and creation of a Remuneration Committee

The management company declares that it complies with I, 3) of Article 314-85-2 of the AMF's General Regulation relating to governance of remuneration.

Since the company applies the principle of proportionality, it does not need to create the Remuneration Committee referred to in I, 3) of Article 314-85-2 of the AMF's General Regulation. As in the example given in the ESMA guidelines, the asset management company can do so because it manages portfolios of UCITS whose value does not exceed €1.25 billion and does not have more than 50 employees, including those dedicated to the management of AIFs and the provision of services mentioned in Article 6(3) a) and b) of the UCITS Directive (discretionary management and non-core services).

3. Persons identified as affected

Identified persons comprise all members of the Management Board, most of whom occupy operational positions, which also fall within the category of "identified persons".

Also falling within the category of "identified persons" are the Head of Compliance and Internal Control-Secretary General (Chief Compliance Officer), the Risk Controller and the portfolio managers.

No employee receives variable remuneration that is flat-rate and discretionary and that is included in their employment contract. For new hires, any such variable remuneration would only be provided for in the employment contract with respect to the first year following recruitment.

i) Identified persons responsible for risk management and compliance functions

The variable remuneration (excluding the company savings scheme) paid to persons responsible for risk management and compliance functions is determined independently of the performance of the UCITS. It reflects the individual performance of the person, i.e. their ability to achieve the objectives set in advance by their line manager, which necessarily include the effectiveness of risk management with special regard to continuous monitoring and the assessment of the company's overall remuneration policy. It is also determined by taking into consideration the overall financial position of the company.

ii) Identified persons who are not responsible for risk management and compliance functions

The variable remuneration (excluding the company savings scheme) paid to identified persons who are not responsible for risk management and compliance functions is determined as a result of a multifactorial assessment. The following are thus taken into account:

- individual performance and behaviour
- the performance of the UCITS managed or the operational unit in question
- the company's financial profitability

In addition, this category of staff may be granted a guaranteed variable remuneration only at the time of hiring and for a maximum of one year.

4. Methods of payment of variable remuneration

The variable component of the remuneration allocated to the identified person reflects sustained risk-adjusted performance.

If the gross variable remuneration granted to an employee identified as a risk-taker is greater than €100,000 and represents more than 30% of their annual fixed remuneration, Axiom will apply the rules outlined below to the full amount of the corresponding variable remuneration.

Variable remuneration is paid to risk-takers based on two principles provided for by the regulations:

- A deferral principle for the payment, which is structured as follows:
  - 60% of variable remuneration paid at the end of the accrual period (before the end of the 4th month following the end of the financial year),
  - 40% deferred over 3 years (1/3 per year, after a retention period of one year). In the case of a variable component of a particularly high amount, at least 60% of the amount is deferred.
- Payment of 50% of the variable component in cash and the remaining 50% consisting of:
  - Fund shares (the fund(s) to which variable remuneration relates),
  - Or cash linked to one or two funds that are representative of the potential beneficiary's individual activities.

Based on the combination of these two principles, variable remuneration will be paid as follows:

- 60% payable immediately in cash
- 40% deferred over 3 years
  - Fund shares (the fund(s) to which variable remuneration relates),

- Or cash linked to one or two funds that are representative of the potential beneficiary's individual activities.

5. Risk alignment
Axiom has not established a discretionary pensions policy (including on departure).
Axiom has not established a system allowing the granting of golden parachutes, and does not intend to pay this type of compensation.
The deferred cash component of the variable remuneration may be adjusted downwards by up to 100% of its amount if, on the theoretical payment date, any of the conditions below are met:

- The operating profit posted by Axiom with respect to the previous financial year is negative;
- The average assets under management have dropped by more than 50% with respect to the previous financial year;
- The average annual return on UCITS units as posted with respect to the financial year preceding the acquisition is less than -30%.

As of this date, the management company has not established any policy on discretionary pensions payable in cash or in financial instruments and prohibits any type of hedging of the variations in remuneration resulting from payment instruments.

6. Reporting
Axiom declares that it complies with and has implemented all measures necessary for compliance with reporting requirements, as provided for in Articles 411-107, 411-113 and 411-121 of the AMF's General Regulation and Article 33 as well as annexes XIII and XIV of the AMF's Instruction No. 2011-19.

7. Declaration of compliance
The asset management company declares that it complies with points 1 to 12 and 16 to 18 of I of Article 314-85-2 of the AMF's General Regulation.

8. Control of compliance of the policy and updating procedure
This policy is documented and is an integral part of the company's set of internal policies. It is updated annually to take into account any regulatory changes.
The remuneration policy follows the recommendations of the AMF (French Financial Markets Authority) and industry associations and integrates the new standards introduced by the AIFM Directive, subject to the application of the principle of proportionality.
The balance between fixed and variable remuneration is compliant. The criteria for variable remuneration are based on both collective and individual performance. The policy does not encourage risk taking by the persons concerned and avoids any attempt to circumvent regulations.
Its compliance is controlled annually by the senior management and the Head of Compliance and Internal Control, especially

- compliance with due diligence procedures;
- decisions taken relating to remuneration, by the Remuneration Committee;
- checking that the remuneration policy is updated on an annual basis.

9. Quantitative data on the remuneration policy required by AMF Instruction 2011-20
Quantitative data on the remuneration policy required by AMF Instruction 2011-20.
The total amount of remuneration **(excluding corporate officers)** paid by the company Axiom Alternative Investments to its staff for the financial year 2017 was €1,153,000, including €676,000 of fixed remuneration and €477,000 of variable remuneration and there were 12 beneficiaries. The total amount of remuneration of management **(including corporate officers)** and staff members of Axiom AI whose actions had a significant impact on the risk profile of the Company during the period amounted to €2,104,202.

10. Regulatory References
Directive 2009/65/EC (consolidated),
Article L.533-22-2 of the French Monetary and Financial Code,
Article 314-85-2 of the AMF's General Regulation,
UCITS Guidelines V for asset management companies,
ESMA Guidelines on remuneration.

- **OTHER INFORMATION**

Investors may obtain copies of the Fund's prospectus, latest annual and interim reports within one week by written request to:

Axiom Alternative Investments
39, Avenue Pierre 1er de Serbie,
75008 Paris, France

5. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

STATUTORY AUDITOR'S REPORT
ON THE ANNUAL FINANCIAL STATEMENTS
Financial year ended 29 December 2017

AXIOM CONTINGENT CAPITAL
UCITS ORGANISED AS A FRENCH COLLECTIVE INVESTMENT FUND
(*FONDS COMMUN DE PLACEMENT*, FCP)
Governed by the French Monetary and Financial Code

Management Company
AXIOM ALTERNATIVE INVESTMENTS
39, Avenue Pierre 1er de Serbie,
75008 Paris, France

Opinion

In compliance with the assignment entrusted to us by the management company, we have audited the annual financial statements of AXIOM CONTINGENT CAPITAL, a UCITS organised as a French FCP, for the financial year ended 29 December 2017, as appended to this report.

We certify that, in accordance with French accounting rules and principles, these annual financial statements are in due form and sincere, and provide a true and fair view of the transactions of this UCITS organised as a French FCP for the financial year ended and of its financial position and assets and liabilities at the end of the financial year.

Basis for opinion

Auditing standards

We conducted our audit in accordance with the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our responsibilities under those standards are further described in the *"Auditor's responsibilities for the audit of the annual financial statements"* section of this report.

Independence

We conducted our audit in compliance with the independence rules applicable to us, for the period from 30/12/2016 to the date of our report and, in particular, we did not provide any prohibited services referred to in the French Code of ethics for statutory auditors.

Key audit matters

In accordance with Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you that the key audit matters that, in our professional judgement, were of most significance, related to the appropriateness of the accounting principles applied, the reasonableness of significant estimates and the overall adequacy of the presentation of information in the financial statements.

These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters relating to the annual financial statements.

Audit of the management report and other documents provided to the shareholders

In accordance with the professional auditing standards applicable in France, we have also performed the specific checks provided for by law.

We have no matters to report as to the fair presentation, and consistency with the annual financial statements, of the information provided in the management report and in the documents sent to the shareholders regarding the Company's financial position and annual financial statements.

Responsibilities of management and those charged with governance for the annual financial statements

The management company is responsible for the preparation and fair presentation of these annual financial statements in accordance with French accounting rules and principles and for such internal control as the management company determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the management company is responsible for assessing the Fund's ability to continue as a going concern, disclosing in those financial statements, as applicable, matters related to going concern and using the going concern basis of accounting unless the management company either intends to liquidate the Fund or to cease operations.

It is the responsibility of the management company to monitor the preparation of financial information and the effectiveness of internal control and risk management systems, and of internal audit, in respect of the procedures on the preparation and processing of accounting and financial information.

The annual financial statements were prepared by the management company.

Auditor's responsibilities for the audit of the annual financial statements

Audit objective and approach

Our role is to issue a report on the annual financial statements. Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards applicable in France 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 specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability or the quality of management of your Fund.

As part of an audit in accordance with professional standards applicable in France, the auditor exercises professional judgement throughout the audit. The auditor's responsibilities are also:

- to identify and assess the risks of material misstatement of the annual 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 the auditor's 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;

- to 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 entity's internal control;

- to evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management company in the annual financial statements.

- to conclude on the appropriateness of the management company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. These conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern. If the auditor concludes that a material uncertainty exists, they are required to draw attention in the auditor's report to the related disclosures in the annual financial statements or, if such disclosures are not provided or are inadequate, to express a qualified opinion or to disclaim an opinion;

- to evaluate the overall presentation of the annual financial statements and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Given the time required to obtain certain additional information that we needed to complete our assignment, this report is issued as of its date of electronic signature.

Neuilly-sur-Seine, date of electronic signature

Document authenticated by electronic signature
Auditor
PricewaterhouseCoopers Audit
Frédéric SELLAM

6. ANNUAL FINANCIAL STATEMENTS

- **BALANCE SHEET *in EUR***

ASSETS

	29/12/2017	30/12/2016
Net fixed assets		
Deposits		
Financial instruments	**38,610,912.06**	**46,344,518.02**
Equities and similar securities		
Traded on a regulated or similar market		
Not traded on a regulated or similar market		
Bonds and similar securities	**36,603,604.08**	**41,438,070.16**
Traded on a regulated or similar market	36,603,604.08	41,438,070.16
Not traded on a regulated or similar market		
Debt securities		
Traded on a regulated or similar market		
Transferable debt securities		
Other debt securities		
Not traded on a regulated or similar market		
Collective investment undertakings	**1,986,867.84**	**4,784,910.75**
General-purpose UCITS and AIFs intended for retail investors, and foreign equivalents	1,986,867.84	4,784,910.75
Other funds intended for retail investors, and equivalents from other EU member states		
Listed general-purpose funds intended for professional investors and equivalents from other EU member states and securitisation vehicles		
Unlisted general-purpose funds intended for professional investors and equivalents from other EU member states and securitisation vehicles		
Other non-EU vehicles		
Securities financing transactions		
Receivables on securities received under a reverse repurchase agreement		
Receivables on lent securities		
Borrowed securities		
Securities transferred under a repurchase agreement		
Other securities financing transactions		
Financial derivatives	**20,440.14**	**121,537.11**
Transactions on a regulated or similar market	20,271.14	119,130.00
Other transactions	169.00	2,407.11
Other financial instruments		
Receivables	**17,411,019.74**	**30,347,784.85**
Currency derivatives	**15,323,750.76**	**29,606,415.56**
Others	**2,087,268.98**	**741,369.29**
Financial assets	**1,763,830.85**	**4,010,984.91**
Cash	**1,763,830.85**	**4,010,984.91**
Total assets	**57,785,762.65**	**80,703,287.78**

LIABILITIES

	29/12/2017	30/12/2016
Equity		
Share capital	**38,142,589.85**	**45,848,012.43**
Non-distributed net capital gains and losses from prior years (a)		
Retained earnings brought forward (a)		
Net capital gains and losses for the year (a, b)	**1,575,114.43**	**1,594,490.93**
Profit for the year (a, b)	**1,845,476.06**	**2,505,023.43**
Total equity (= amount corresponding to net assets)	**41,563,180.34**	**49,947,526.79**
Financial instruments	**24,999.45**	**749,718.09**
Sales of financial instruments		
Securities financing transactions		
Payables on securities transferred under a repurchase agreement		
Payables on borrowed securities		
Other securities financing transactions		
Financial derivatives	**24,999.45**	**749,718.09**
Transactions on a regulated or similar market	24,999.45	121,050.00
Other transactions		628,668.09
Payables	**15,189,282.79**	**30,006,042.90**
Currency derivatives	**15,161,302.69**	**29,975,432.20**
Others	**27,980.10**	**30,610.70**
Financial liabilities	**1,008,300.07**	
Short-term bank loans	**1,008,300.07**	
Borrowings		
Total liabilities	**57,785,762.65**	**80,703,287.78**

(a) Including accruals
(b) Minus any interim distributions for the financial year

- **OFF-BALANCE SHEET *in EUR***

	29/12/2017	30/12/2016
Hedging transactions		
Exposure on a regulated or similar market		
Futures contracts		
BANCO SANTANDER		18,250.00
EUR GR SG DI 10 1218	110,000.00	
EUR GR UNICRD10 1217		5,000.00
GR BCO SA1000 1218	55,000.00	
GR BNP 1000 1217		267,900.00
SM BBVA 1000 1217		70,200.00
TY CBOT YST 1 0318	1,033,035.27	
XEUR FGBL BUN 0317		3,283,000.00
XEUR FGBL BUN 0318	1,616,800.00	
XEUR I3ES INT 1219	90,000.00	
Exposure on an OTC market		
Options		
SNRFIN CDSI S28 5Y C 12/2022 PUT 65	134,000.00	
Other exposure		
Other transactions		
Exposure on a regulated or similar market		
Exposure on an OTC market		
Credit default swaps		
CDS BNP. S11_201221		2,000,000.00
ITRAXX EUR SUB FINAN		11,000,000.00
Other exposure		

- **PROFIT & LOSS ACCOUNT *in EUR***

	29/12/2017	30/12/2016
Income from financial transactions		
Income from deposits and financial assets		64.16
Income from equities and similar securities		
Income from bonds and similar securities	3,029,320.13	2,576,607.66
Income from debt securities		
Income from (reverse) repurchase agreements	1,035.20	
Income from financial derivatives		
Other finance income		
Total (1)	**3,030,355.33**	**2,576,671.82**
Expenses on financial transactions		
Expenses on (reverse) repurchase agreements		
Expenses on financial derivatives		
Expenses on financial liabilities	10,343.38	13,792.12
Other finance costs		
Total (2)	**10,343.38**	**13,792.12**
Profit/(loss) from financial transactions (1 - 2)	**3,020,011.95**	**2,562,879.70**
Other income (3)		
Management fees and provision for depreciation (4)	424,916.68	325,162.63
Net profit/(loss) for the financial year (L. 214-17-1) (1 - 2 + 3 - 4)	**2,595,095.27**	**2,237,717.07**
Accruals for the financial year (5)	-749,619.21	267,306.36
Interim distributions of profits made for the financial year (6)		
Profit/(loss) (1 - 2 + 3 - 4 + 5 - 6)	**1,845,476.06**	**2,505,023.43**

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING RULES AND METHODS

The annual financial statements are presented in the form set out by the French Accounting Standards Authority's (ANC) Regulation 2014-01 repealing the French Accounting Regulatory Committee's (CRC) Regulation 2003-02 as amended.

General accounting principles apply:
- true and fair view, comparability, going concern,
- accuracy, reliability,
- prudence,
- consistency of accounting methods from one year to another.

The accounting method selected to record income from fixed-income securities is based on accrued interest.

Purchases and sales of securities are recorded exclusive of costs.
The base currency of the portfolio for accounting purposes is the euro.
The financial year lasted 12 months.

Asset valuation rules

Financial instruments are recorded in the accounts using the historical cost method and entered on the balance sheet at their current value as determined by the last-known market value or, where a market does not exist, by any external means or by using financial models.
The differences between the current values used for calculating the net asset value and the historical costs of the securities at the time they are added to the portfolio are recorded in the "valuation differences" account.
Securities that are not denominated in the same currency as the portfolio are valued based on the principle described below, and then converted into the portfolio currency using the exchange rate on the valuation day.

Deposits:

Deposits with a residual maturity of less than or equal to three months may be valued using the straight-line method.

Equities, bonds and other securities traded on a regulated or similar market:

To calculate the net asset value, equities and other securities traded on a regulated or similar market are valued on the basis of the last market price of the day.

Bonds and similar securities are valued at the closing price supplied by financial service providers. Interest accrued on bonds and similar securities is calculated up to the net asset value date.

Equities, bonds and other securities not traded on a regulated or similar market:

Securities not traded on a regulated market are valued under the responsibility of the Management Company using methods based on the net asset value and yield, taking into consideration the prices used in recent major transactions.

Transferable debt securities:

Transferable debt securities and similar securities that are not traded in significant volumes are valued on the basis of an actuarial method with the reference rate defined below plus, where applicable, a differential reflecting the issuer's specific characteristics:
Transferable debt securities with a maturity of less than or equal to 1 year: Euro interbank offered rate (Euribor);
Transferable debt securities with a maturity exceeding 1 year: Rates of "BTAN" fixed-rate treasury notes with interest paid annually and "OAT" fungible treasury bonds, with similar maturity dates for longer maturities.

Transferable debt securities with a residual maturity of less than or equal to 3 months may be valued using the straight-line method.

Treasury bills are valued on the basis of the market rate published daily by Banque de France.

Shares in collective investment undertakings (CIUs) held:

CIU shares or units will be valued at the last known net asset value.

Securities financing transactions:

Securities received under a reverse repurchase agreement are recorded under the heading "Receivables on securities received under a reverse repurchase agreement" for the sum provided for in the agreement, plus accrued interest to be received.

Securities transferred under a repurchase agreement are recorded as securities purchased at their current value. Payables on securities transferred under repurchase agreements are recorded as securities sold at the value indicated in the agreement, plus any accrued interest payable.

Lent securities are valued at their current value and are recorded on the asset side of the balance sheet under the heading "Receivables on lent securities" at the current value, plus accrued interest to be received.

Borrowed securities are recorded on the asset side of the balance sheet under the heading "Borrowed securities" for the sum indicated in the agreement, and on the liabilities side under the heading "Payables on borrowed securities" for the sum indicated in the agreement, plus any accrued interest payable.

Financial derivatives:

Financial derivatives traded on a regulated or similar market:

Financial derivatives traded on regulated markets are valued at the settlement price of the day.

Financial derivatives not traded on a regulated or similar market:

Swaps:

Interest rate and/or currency swaps are valued at their market value using the price calculated by discounting future interest flows at market interest rates and/or exchange rates. This price is adjusted for credit risk.

Index swaps are valued on the basis of an actuarial method with the reference rate provided by the counterparty.

Other swaps are valued at their market value or a value estimated according to the procedures laid down by the Management Company.

CDSs/CDS options

CDSs are valued based on mathematical models using the credit spread curves provided by Markit.

CDS options are valued based on models approved by the Management Company using market data from specialist financial information providers. The prices calculated are compared with those supplied by counterparties

Off-balance-sheet commitments:

Futures/forwards are recorded at their market value as off-balance sheet exposure at the price used in the portfolio. Options are recorded at the equivalent value of underlying assets.

Swap exposure is presented at its nominal value, or in the absence of a nominal value, at an equivalent amount.

Management fees

Management fees are calculated upon each valuation based on the net
asset value.
These fees are charged to the Fund's profit & loss account.
All management fees are paid to the Management Company, which is in turn responsible for paying all the operating costs of the Funds.
Management fees do not include transaction costs.
The maximum rates applied to the NAV are:
- 0.80% incl. taxes for Share Class C;
- 1.30% incl. taxes for Share Class R;
- 0.05% incl. taxes for Share Class Z.

Operating costs and management fees
These fees cover all expenses charged directly to the Fund with the exception of transaction costs. Transaction costs include intermediary fees (brokerage, stamp duty, etc.) and transaction fees, if any, which may be charged by the depositary and the Management Company.

The following fees may be charged in addition to operating costs and management fees:
- transaction fees charged to the Fund,
- performance fees. These fees are intended to reward the Management Company if the Fund exceeds its objectives.

They are therefore charged to the Fund.

Fees charged to the Fund	**Calculation base**	**Standard rate**
Management fees	Net assets	Share Class C: maximum 0.80% incl. taxes Share Class R: maximum 1.30% incl. taxes Share Class Z: maximum 0.05% incl. taxes

**: Since the Fund invests less than 10% of its assets in other collective investment undertakings, the Management Company is not required by law to indicate an applicable rate for indirect costs. However, such costs may be charged.*

Securities financing transactions: the Management Company does not receive any fees on such transactions.

Appropriation of distributable amounts

***Definition of distributable amounts*:**

Distributable amounts are made up of:

Profit:

The net profit for the year shall be equal to total interest income, arrears, premiums and prizes, dividends, attendance fees and any income from the securities making up the Fund's portfolio plus any income from temporary cash holdings, minus management fees and borrowing costs.
Retained earnings are added, and the balance of accrued income and expenses is added or subtracted from net profit.

Capital gains and losses:

Realised capital gains net of costs, minus capital losses net of costs, recorded during the financial year, plus net capital gains of the same type recorded during prior financial years which have not been distributed or accumulated, plus or minus the balance of the capital gains accrual account.

Procedures for allocating distributable amounts:

Distributable amounts	***Share Classes C, R and Z***
Appropriation of net profit	Accumulation
Appropriation of net realised capital gains or losses	Accumulation

- **CHANGES IN NET ASSETS *in EUR***

	29/12/2017	30/12/2016
Net assets at the beginning of the financial year	**49,947,526.79**	**23,568,798.05**
Subscriptions (including subscription fees charged by the Fund)	9,831,195.58	34,471,769.75
Redemptions (after deduction of redemption fees charged by the Fund)	-24,724,511.58	-11,797,312.42
Capital gains realised on deposits and financial instruments	3,662,654.45	675,082.21
Capital losses realised on deposits and financial instruments	-1,477,254.05	-454,522.90
Capital gains realised on financial derivatives	2,713,801.81	4,738,581.79
Capital losses realised on financial derivatives	-1,843,992.92	-4,169,370.63
Transaction costs	-7,287.25	-7,780.15
Foreign exchange differences	-1,436,934.59	126,566.72
Changes in the valuation difference of deposits and financial instruments	1,586,369.31	1,217,480.20
Valuation difference for financial year N	2,704,597.63	1,118,228.32
Valuation difference for financial year N-1	-1,118,228.32	99,251.88
Changes in the valuation difference of financial derivatives	716,517.52	-659,482.90
Valuation difference for financial year N	-9,793.46	-726,310.98
Valuation difference for financial year N-1	726,310.98	66,828.08
Distribution of net capital gains and losses for the previous financial year		
Distribution of profits for the previous financial year		
Net profit/loss for the financial year before accruals	2,595,095.27	2,237,717.07
Interim distribution(s) of net capital gains and losses made during the financial year		
Interim distribution(s) of profits made during the financial year		
Other items		
Net assets at the end of the financial year	**41,563,180.34**	**49,947,526.79**

- **BREAKDOWN OF FINANCIAL INSTRUMENTS BY LEGAL OR ECONOMIC CLASSIFICATION**

	Amount	%
Assets		
Bonds and similar securities		
Other bonds (index-linked, *titres participatifs* [participation certificates])	888,594.77	2.14
Fixed-rate bonds traded on a regulated or similar market	33,580,651.42	80.79
Variable- and adjustable-rate bonds traded on a regulated or similar market	1,077,059.42	2.59
Convertible bonds traded on a regulated or similar market	1,057,298.47	2.54
Bonds and similar securities		
TOTAL Bonds and similar securities	**36,603,604.08**	**88.07**
Debt securities		
Debt securities		
TOTAL Debt securities		
Liabilities		
Sales of financial instruments		
Equities and similar securities		
TOTAL Sales of financial instruments		
Off-balance sheet		
Hedging transactions		
Equity		
Others	389,000.00	0.94
Interest rate	2,649,835.27	6.38
TOTAL Hedging transactions	**3,038,835.27**	**7.31**
Other transactions		
Equity		
TOTAL Other transactions		

- **BREAKDOWN OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS BY TYPE OF RATE**

	Fixed rate	%	Variable rate	%	Adjustable	%	Others	%
Assets								
Deposits								
Bonds and similar securities	35,526,544.66	85.48			1,077,059.42	2.59		
Debt securities								
Securities financing transactions								
Financial assets							1,763,830.85	4.24
Liabilities								
Securities financing transactions								
Financial liabilities							1,008,300.07	2.43
Off-balance sheet								
Hedging transactions	2,649,835.27	6.38						
Other transactions								

- ## BREAKDOWN OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS BY RESIDUAL MATURITY

	< 3 months	%	]3 months - 1 year]	%	]1 - 3 years]	%	]3 - 5 years]	%	> 5 years	%
Assets										
Deposits										
Bonds and similar securities									36,603,604.08	88.07
Debt securities										
Securities financing transactions										
Financial assets	1,763,830.85	4.24								
Liabilities										
Securities financing transactions										
Financial liabilities	1,008,300.07	2.43								
Off-balance sheet										
Hedging transactions									2,649,835.27	6.38
Other transactions										

Positions in interest-rate derivatives are classified based on the maturity of the underlying.

- ## BREAKDOWN OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS BY TRADING OR VALUATION CURRENCY

	USD		GBP		SEK		Other currencies	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Deposits								
Equities and similar securities								
Bonds and similar securities	5,913,080.59	14.23	4,909,977.09	11.81	1,077,059.42	2.59		
Debt securities								
Collective investment undertakings								
Securities financing transactions								
Receivables	2,737,244.63	6.59						
Financial assets			72,428.47	0.17	12,374.63	0.03	20.78	
Liabilities								
Sales of financial instruments								
Securities financing transactions								
Payables	7,611,592.27	18.31	4,956,908.69	11.93	1,086,812.80	2.61		
Financial liabilities	1,008,300.07	2.43						
Off-balance sheet								
Hedging transactions	1,033,035.27	2.49						
Other transactions								

- **RECEIVABLES AND PAYABLES: BREAKDOWN BY TYPE**

	Type of payable/receivable	29/12/2017
Receivables	Forward purchases of currency	1,499,000.67
	Amounts to be received from a forward sale of currency	13,824,750.09
	Deferred payment sales	2,015,528.62
	Cash collateral	65,483.69
	Cash coupons and dividends	4,996.67
	Collateral	1,260.00
Total receivables		**17,411,019.74**
Payables	Forward sales of currency	13,655,313.76
	Amounts to be paid for forward purchases of currency	1,505,988.93
	Management fees	27,980.10
Total payables		**15,189,282.79**

- **NUMBER OF SHARES ISSUED OR REDEEMED**

	Number of shares	Amount
Share Class C		
Shares subscribed during the financial year	7,199.5688	7,834,556.95
Shares redeemed during the financial year	-19,427.2499	-22,905,811.24
Net balance of subscriptions and redemptions	-12,227.6811	-15,071,254.29
Share Class Z		
Shares subscribed during the financial year	1,760.0000	1,993,640.00
Shares redeemed during the financial year	-1,592.3500	-1,815,666.57
Net balance of subscriptions and redemptions	167.6500	177,973.43
Share Class R		
Shares subscribed during the financial year	2.5767	2,998.63
Shares redeemed during the financial year	-2.5767	-3,033.77
Net balance of subscriptions and redemptions		-35.14

- **SUBSCRIPTION AND/OR REDEMPTION FEES**

	Amount
Share Class Z	
Redemption fees charged by the Fund	
Subscription fees charged by the Fund	
Total fees charged by the Fund	
Share Class C	
Redemption fees charged by the Fund	
Subscription fees charged by the Fund	
Total fees charged by the Fund	
Share Class R	
Redemption fees charged by the Fund	
Subscription fees charged by the Fund	
Total fees charged by the Fund	

- **MANAGEMENT FEES**

	29/12/2017
Share Class C	
Guarantee fees	
Fixed management fees	419,615.19
Percentage of fixed management fees	0.80
Variable management fees	
Retrocessions of management fees	
Share Class Z	
Guarantee fees	
Fixed management fees	1,410.46
Percentage of fixed management fees	0.05
Variable management fees	
Retrocessions of management fees	
Share Class R	
Guarantee fees	
Fixed management fees	3,891.03
Percentage of fixed management fees	1.30
Variable management fees	
Retrocessions of management fees	

- **MANAGEMENT FEES**

	29/12/2017
Share Class E	
Guarantee fees	
Fixed management fees	
Percentage of fixed management fees	
Variable management fees	
Retrocessions of management fees	

- **COMMITMENTS RECEIVED AND MADE**

Collateral received by the Fund:
None.

Other commitments received and/or made:
None.

- **CURRENT VALUE OF FINANCIAL INSTRUMENTS UNDER SECURITIES FINANCING TRANSACTIONS**

	29/12/2017
Securities received under a reverse repurchase agreement	
Borrowed securities	

- **CURRENT VALUE OF FINANCIAL INSTRUMENTS USED AS COLLATERAL**

	29/12/2017
Financial instruments given as collateral and kept in their original account	
Financial instruments received as collateral and not recorded on the balance	

- **GROUP FINANCIAL INSTRUMENTS HELD IN THE PORTFOLIO**

	ISIN Code	Names	29/12/2017
Shares			
Bonds			
Transferable debt securities			
Collective investment undertakings			259,005.00
	FR0013250412	AXIOM OBLIGATAIRE G	259,005.00
Financial derivatives			

- **APPROPRIATION OF DISTRIBUTABLE AMOUNTS RELATED TO PROFITS**

	29/12/2017	30/12/2016
Amounts to be appropriated		
Retained earnings		
Profit/(loss)	1,845,476.06	2,505,023.43
Total	**1,845,476.06**	**2,505,023.43**

	29/12/2017	30/12/2016
Share Class Z		
Appropriation		
Distribution		
Retained earnings for the year		
Accumulation	136,149.26	124,048.41
Total	**136,149.26**	**124,048.41**

	29/12/2017	30/12/2016
Share Class C		
Appropriation		
Distribution		
Retained earnings for the year		
Accumulation	1,696,954.24	2,368,244.94
Total	**1,696,954.24**	**2,368,244.94**

	29/12/2017	30/12/2016
Share Class R		
Appropriation		
Distribution		
Retained earnings for the year		
Accumulation	12,372.56	12,739.23
Total	**12,372.56**	**12,739.23**

	29/12/2017	30/12/2016
Share Class E		
Appropriation		
Distribution		
Retained earnings for the year		
Accumulation		-9.15
Total		**-9.15**

- **APPROPRIATION OF DISTRIBUTABLE AMOUNTS RELATED TO NET CAPITAL GAINS AND LOSSES**

	29/12/2017	30/12/2016
Amounts to be appropriated		
Non-distributed net capital gains and losses from prior financial years		
Net capital gains and losses for the financial year	1,575,114.43	1,594,490.93
Interim distributions of net capital gains and losses made for the financial year		
Total	**1,575,114.43**	**1,594,490.93**

	29/12/2017	30/12/2016
Share Class Z		
Appropriation		
Distribution		
Non-distributed net capital gains and losses		
Accumulation	100,975.10	69,303.64
Total	**100,975.10**	**69,303.64**

	29/12/2017	30/12/2016
Share Class C		
Appropriation		
Distribution		
Non-distributed net capital gains and losses		
Accumulation	1,462,199.87	1,516,168.49
Total	**1,462,199.87**	**1,516,168.49**

	29/12/2017	30/12/2016
Share Class R		
Appropriation		
Distribution		
Non-distributed net capital gains and losses		
Accumulation	11,939.46	9,018.80
Total	**11,939.46**	**9,018.80**

	29/12/2017	30/12/2016
Share Class E		
Appropriation		
Distribution		
Non-distributed net capital gains and losses		
Accumulation		
Total		

- **OVERVIEW OF RESULTS AND OTHER SIGNIFICANT ITEMS FOR THE ENTITY OVER THE PAST 5 FINANCIAL YEARS**

	31/12/2015	30/12/2016	29/12/2017
Total net asset value in EUR	**23,568,798.05**	**49,947,526.79**	**41,563,180.34**
Axiom Contingent Capital C			
Net asset value in EUR	22,909,295.06	47,481,072.84	38,576,183.08
Number of shares	22,206.6407	44,182.5154	31,954.8343
Net asset value per share in EUR	1,031.64	1,074.65	1,207.20
Accumulation of net capital gains and losses per share in EUR	-2.13	34.31	45.75
Accumulation of profit per share in EUR	36.64	53.60	53.10
Axiom Contingent Capital Z			
Net asset value in EUR	50,058.01	2,185,262.04	2,672,685.10
Number of shares	50.0000	2,079.3500	2,247.0000
Net asset value per share in EUR	1,001.16	1,050.93	1,189.44
Accumulation of net capital gains and losses per share in EUR	0.43	33.32	44.93
Accumulation of profit per share in EUR	2.06	59.65	60.59
Axiom Contingent Capital R			
Net asset value in EUR	103,291.05	281,191.91	314,312.16
Number of shares	100.0000	262.6292	262.6292
Net asset value per share in EUR	1,032.91	1,070.68	1,196.79
Accumulation of net capital gains and losses per share in EUR	-4.30	34.34	45.46
Accumulation of profit per share in EUR	32.08	48.50	47.11
Axiom Contingent Capital E			
Net asset value in GBP	373,060.75		
Number of shares	360.0000		
Net asset value per share in GBP	1,036.27		
Accumulation of net capital gains and losses per share in EUR	31.40		
Accumulation of profit per share in EUR	50.83		

- **INVENTORY** ***in EUR***

Name of the security	Currency	Qty, number or nominal value	Current value	% of net assets
Bonds and similar securities				
Bonds and similar securities traded on a regulated or similar market				
AUSTRALIA				
QBE INSURANCE GROUP LTD 5.25% PERP	USD	500,000	427,300.20	1.03
TOTAL AUSTRALIA			**427,300.20**	**1.03**
AUSTRIA				
ERSTE GROUP BANK AG 6.5% PERP	EUR	600,000	705,933.43	1.70
RAIFFEISEN BANK INTERNATIONAL AG 6.125% PERP	EUR	1,000,000	1,087,467.12	2.61
TOTAL AUSTRIA			**1,793,400.55**	**4.31**
DENMARK				
DANSKE BANK AS 6.125% HYB FIX/VAR PERP	USD	900,000	812,685.61	1.95
JYSKE BANK DNK 4.75% PERP	EUR	700,000	729,537.49	1.76
TOTAL DENMARK			**1,542,223.10**	**3.71**
SPAIN				
BANCO BILBAO VIZCAYA ARGENTARIA SA 5.875% PERP	EUR	400,000	437,026.35	1.05
BANCO DE SABADELL SA 6.125% PERP	EUR	400,000	412,629.62	0.99
BANCO DE SABADELL SA 6.5% PERP	EUR	400,000	423,262.00	1.02
BANCO SANTANDER SA 5.25% PERP	EUR	1,400,000	1,480,218.83	3.57
BANKIA SA 6.0% PERP	EUR	1,000,000	1,062,564.35	2.56
BBVA 7% PERP	EUR	400,000	425,139.91	1.02
CAIXABANK SA 6.75% PERP	EUR	600,000	670,180.50	1.61
TOTAL SPAIN			**4,911,021.56**	**11.82**
UNITED STATES OF AMERICA				
DEUTSCHE BANK CAP 8% 15/05/2018	EUR	1,000,000	1,078,598.49	2.60
TOTAL UNITED STATES OF AMERICA			**1,078,598.49**	**2.60**
FRANCE				
BNP PARIBAS FIX PERP	EUR	700,000	812,021.40	1.95
CASA 6.50% PERP	EUR	500,000	568,038.06	1.37
SG 6.75% 31/12/2099	EUR	1,000,000	1,139,528.68	2.74
TOTAL FRANCE			**2,519,588.14**	**6.06**
ITALY				
INTESA SAN 7.0% PERP EMTN	EUR	1,400,000	1,596,821.13	3.84
INTESA SANPAOLO 7.75% PERP	EUR	800,000	1,004,900.17	2.42
UNICREDIT SPA FIX PERP	EUR	200,000	244,283.55	0.59
UNICREDIT SPA 6.625% PERP	EUR	600,000	656,266.03	1.58
UNICREDIT SPA 6.75% PERP	EUR	1,200,000	1,323,184.04	3.18
TOTAL ITALY			**4,825,454.92**	**11.61**
NETHERLANDS				
ASR NEDERLAND NV 10.0% PERP	EUR	1,000,000	1,199,764.11	2.89
ASR NEDERLAND NV 4.625% PERP	EUR	800,000	857,173.27	2.06
ING GROEP NV 6.0% PERP	USD	500,000	437,667.95	1.05
NIBC BANK NV 6.0% PERP	EUR	750,000	791,025.62	1.90
RABO NEDE 5.5% PERP	EUR	1,000,000	1,086,835.49	2.61
STICH AK RABOBK 6,5%13-PERP.	EUR	1,300,000	1,614,381.89	3.89
TOTAL NETHERLANDS			**5,986,848.33**	**14.40**

Name of the security	Currency	Qty, number or nominal value	Current value	% of net assets
UNITED KINGDOM				
BARCLAYS PLC 5.875% PERP	GBP	400,000	457,337.11	1.10
BARCLAYS PLC 6.5% 31-12-99	EUR	600,000	644,544.00	1.55
BARCLAYS PLC 7.125% PERP	GBP	500,000	618,751.14	1.49
BARCLAYS 7.875% PERP	GBP	600,000	756,674.08	1.82
COVE BUIL SOC 6.375% 31-12-99	GBP	1,000,000	1,187,691.78	2.86
DIRECT LINE INSURANCE PLC 4.75% PERP	GBP	550,000	627,267.89	1.51
HSBC HOLDINGS PLC 4.75% PERP	EUR	500,000	543,265.46	1.31
HSBC HOLDINGS PLC 5.25% PERP	EUR	750,000	842,751.01	2.03
HSBC HOLDINGS PLC 6.0% PERP CV	USD	1,200,000	1,057,298.47	2.54
LBG CAPITAL 6,375%09-120520	EUR	600,000	660,713.75	1.59
NATIONWIDE BUILDING SOCIETY 10.25% 31-12-99	GBP	5,000	888,594.77	2.14
ROYAL AND SUN ALLIANCE INSURANCE GROUP P STIB3R+5.25% PERP	SEK	10,000,000	1,077,059.42	2.59
SANTANDER UK PLC 7.375% PERP	GBP	300,000	373,660.32	0.90
STAN CHAR PLC 6.5% PERP	USD	1,000,000	867,005.80	2.09
STANDARD CHARTERED PLC 7.75% PERP	USD	1,200,000	1,115,126.86	2.68
TOTAL UNITED KINGDOM			**11,717,741.86**	**28.20**
SWEDEN				
NORDEA BANK AB PUBL 3.5% PERP	EUR	600,000	605,431.23	1.45
SKANDINAVISKA ENSKILDA BANKEN AB 5.625% PERP	USD	400,000	348,078.78	0.84
TOTAL SWEDEN			**953,510.01**	**2.29**
SWITZERLAND				
CREDIT SUISSE GROUP AG 7.125% PERP	USD	400,000	374,240.23	0.90
UBS GROUP AG 6.875% PERP	USD	500,000	473,676.69	1.14
TOTAL SWITZERLAND			**847,916.92**	**2.04**
TOTAL Bonds and similar securities traded on a regulated or similar market			**36,603,604.08**	**88.07**
TOTAL Bonds and similar securities			**36,603,604.08**	**88.07**
Collective investment undertakings				
General-purpose UCITS and AIFs intended for retail investors, and foreign equivalents				
FRANCE				
AXIOM OBLIGATAIRE G	EUR	250	259,005.00	0.62
Premium Multi Stratégies D	EUR	435	523,822.65	1.26
UNION + SI.3 DEC	EUR	6.3	1,204,040.19	2.90
TOTAL FRANCE			**1,986,867.84**	**4.78**
TOTAL General-purpose UCITS and AIFs intended for retail investors, and foreign equivalents			**1,986,867.84**	**4.78**
TOTAL Collective investment undertakings			**1,986,867.84**	**4.78**
Financial derivatives				
Exposure to futures/forwards				
Exposure to futures (regulated or similar market)				
EUR GR SG DI 10 1218	EUR	-50	-2,500.00	-0.01
GR BCO SA1000 1218	EUR	-250	-5,083.60	-0.01
TY CBOT YST 1 0318	USD	-10	6,571.14	0.02
XEUR FGBL BUN 0318	EUR	-10	13,700.00	0.03

Name of the security	Currency	Qty, number or nominal value	Current value	% of net assets
XEUR FGBL BUN 0317	EUR	-500	-1,250.00	
TOTAL Exposure to futures (regulated or similar market)			**11,437.54**	**0.03**
TOTAL Exposure to futures/forwards			**11,437.54**	**0.03**
Exposure to options				
Exposure to OTC options				
SNRFIN CDSI S28 5Y C 12/2022 PUT 65	EUR	10,000,000	169.00	
TOTAL Exposure to OTC options			**169.00**	
TOTAL Exposure to options			**169.00**	
TOTAL Financial derivatives			**11,606.54**	**0.03**
Margin calls				
C.A.Indo margin calls in USD	USD	-7,890.55	-6,571.08	-0.02
C.A.Indo margin calls in EUR	EUR	-9,594.77	-9,594.77	-0.02
TOTAL Margin calls			**-16,165.85**	**-0.04**
Receivables			**17,411,019.74**	**41.89**
Payables			**-15,189,282.79**	**-36.55**
Financial assets/liabilities			**755,530.78**	**1.82**
Net assets			**41,563,180.34**	**100.00**

Axiom Contingent Capital Z	**EUR**	**2,247.0000**	**1,189.44**
Axiom Contingent Capital C	**EUR**	**31,954.8343**	**1,207.20**
Axiom Contingent Capital R	**EUR**	**262.6292**	**1,196.79**
Axiom Contingent Capital E	**GBP**		