

**French collective  
investment fund (FCP)**

**AXIOM OBLIGATAIRE**

**ANNUAL REPORT**

as of 29 December 2017

**Management Company: Axiom Alternative Investments**

**Depository: Caceis Bank**

**Statutory Auditor: PriceWaterhouseCoopers Audit**

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## I. DESCRIPTION OF THE FUND

- **LEGAL FORM**

French collective investment fund (FCP).

- **CLASSIFICATION**

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

- **ALLOCATION OF PROFITS**

- Class C, R, BC, M, E, Z, I and J shares: all distributable amounts are reinvested except those amounts that, by law, are subject to mandatory distribution;

- Class D shares: all distributable amounts are distributed, although a residual amount may exist due to round-offs. Interim distributions may be made.

- **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 (iBoxx Euro Tier 1), over an investment horizon of at least 3 years.

- **BENCHMARK INDEX**

The Fund is not managed relative to a benchmark index. However, the Fund's performance may be compared retrospectively with that of the iBoxx Euro Tier 1.

The iBoxx Euro Tier 1 index tracks the performance of euro-denominated bonds issued by financial institutions as securities to be included in their Tier 1 capital, excluding Additional Tier 1 bonds. Additional information on this specific index and on the general methodology of iBoxx indices is available at [www.iboxx.com](http://www.iboxx.com).

- **INVESTMENT STRATEGY**

- **Management policy**

The asset management company's investment process aims to take advantage of major opportunities in the international bond market.

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.

**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 a specific sector and/or type of underlying asset may be as high as 100%.

- The asset managers may hedge currency and interest rate risk.

**Step 3: Portfolio monitoring**

- The performance of underlying assets is regularly monitored via the publication of statistical data on the securities.

- The trends in each sector are systematically monitored (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 5%).

The Fund is not sector-specific. The selection process may lead to 100% exposure of the Fund to a specific industry.

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.

Transferable debt securities and bonds rated below B- by Standard and Poor's, or B3 by Moody's, or B- by Fitch Ratings, or B Low by DBRS (the highest rating will be applied), or a rating considered equivalent by the Management Company, or which have no rating, shall not exceed 30% of the Fund's NAV.

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
Range of sensitivity to credit spreads 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): 0-100%

#### - Main asset classes used (excluding embedded derivatives)

##### **Equities:**

The Fund's exposure to equity risk may not exceed 10%.

##### **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. Nevertheless, investments in other types of funds are not excluded.

In order to deliver the target investment return, up to 10% of the Fund's assets may be invested in French special purpose vehicles (FCCs) or their foreign equivalent.

The Fund may be invested in UCITS and AIFs.

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

Class BC shares denominated in USD, Class M shares denominated in CHF, and Class E shares denominated in GBP, will be systematically hedged against the risk of fluctuation in the exchange rate between such currencies 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.

### **- 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 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 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.

Income from these transactions: see the Fees and commissions section for more information.

The Fund may enter into securities financing transactions up to 100% of its assets.

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 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 up to 30% of its assets 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.

The risk can be measured as credit risk sensitivity, which is defined as the change in portfolio NAV when the credit spread changes by 100 bps. The sensitivity of this Fund is calculated upon each NAV calculation and ranges between 0 and 10.

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 and/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.

There is a liquidity risk arising from the potential difficulty or impossibility of selling securities held in the portfolio in a timely manner and at the portfolio's 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**

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. Such fluctuations in exchange rates may lead to a fall in the Fund's net asset value.

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

For Class BC shares, the fund manager shall systematically and fully hedge the portfolio against the EUR/USD exchange-rate risk. However, a residual risk remains.

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

For Class E shares, the fund manager shall systematically and totally hedge the portfolio against EUR/GBP 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.

#### **• ELIGIBLE INVESTORS AND TYPICAL INVESTOR PROFILE**

The Fund is intended for investors seeking a return net of management fees similar to or greater than that of the Iboxx Euro T1 index.

Class R shares are available to individual investors for whom distribution, promotion and subscription is done primarily through the network of "bancassurance" distribution platforms dedicated to wealth management advisors and financial advisors.

Class BC shares denominated in USD are available to investors wishing to have full and systematic hedging against currency risk.

Class M shares denominated in CHF are available to investors wishing to have full and systematic hedging against

currency risk.

Class E shares denominated in GBP are available to investors wishing to have full and systematic hedging against currency risk.

Class Z shares denominated in EUR are available to UCITS, investment funds, managed accounts run by Axiom, and Axiom employees.

Class I shares require a minimum investment of 5,000,000 euros (five million euros). For Class I shares, it should be noted that in case of subscription by several companies belonging to the same group under Article L.233-3 I. of the French Commercial Code, compliance with the minimum investment amount shall be determined based on the aggregate investments from all companies of that group. Similarly, in case of subscription by several collective investment undertakings (CIUs) managed by the same management company, compliance with the minimum investment amount shall be determined based on the aggregate investments from all CUIs of that management company.

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:

Performance, ongoing charges and performance fees for the year 2016 have been updated on the KIID. 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.

### 24 April 2017:

- Change in SRRI from 5 to 4.
- New share class: ‘G’.

### Upcoming change

#### 1 January 2018:

Change in benchmark index:

- from 01/01/2015 to 31/12/2017, iBoxx Euro Tier I.
- from the 01/01/2018, index composed of 40% ICE BofAML Euro Financial Index, 40% ICE BofAML Euro Corporate Index and 20% de ICE BofAML Contingent Capital Index.

Addition of a new index in the calculation of performance fees.

### 3. MANAGEMENT REPORT

At first glance, the **January** effect seems to be back. However, if we look at it closer, the very good performance of the first month of the year is in line with the second half of 2016.

Indeed, two structural catalysts appeared last year, namely the increase in long-term interest rates, favorable to the margins of the financial sector, and the regulatory forbearance which will be, in our opinion, the main performance drivers in 2017.

The "QE trade" is on its last legs and the credit market is repositioning itself on value-type instruments that we find in Axiom Obligataire's portfolio (ie bonds with high spreads and strong regulatory catalysts).

Clarifications made at the end of the year on whether or not securities are eligible to the TLAC and MREL ratios will allow bank issuers to call in old hybrid debts that will no longer be of any use. The major operations of Irish Life and Permanent (calls at the first date) and Groupama (exchange offer), whose portfolios have benefited (+4% in both cases) demonstrate the vigorous return of the regulatory driver. Axiom Obligataire's portfolio is still comprised of this type of bond (CMS or Euribor-linked) whose value is on average between 60% and 75% below par and which should be called at par to short or medium term.

It should also be noted that the final agreement on Basel 4 has been postponed until March, while the Germans and Swedes continue to oppose the minimum average weighted assets required. These successive postponements are viewed positively by the market because they testify to the awareness by the various actors of the difficulty of an increasing complexity and the resulting risk of economic suffocation.

Axiom Obligataire ended the month with a performance of + 2.26% and a yield to call of 6.79%

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.

The so-called legacy bonds (i.e. older generation bonds) continued on the same trajectory as in January, helped by the call at par of Barclays (7.1% in USD), ING (7.2% in \$), SocGen (5.922% in ½), BNP (5.019 in ½), Barclays (6.375% in £), Aareal Bank (7.125% in ½) and especially BBVA (two Tier 1 with step-up that had passed their first call date and were trading at 86). We should also mention the Soc Gen 0 in USD was called at par and we bought between 90.5 and 94.5 less than a year ago.

Overall, the rise is expected to continue, with the exception of securities whose valuations appear to include a short-dated call such as HSBC discos (\$ + 25bps), an increase of 65 to 85 in only a few months, and for which we believe the decision to redeem should not be realized for several years.

New issuance was quiet with only Barclays issuing one AT1 in £ at 7 .25% coupon. Only the AT1s of French banks dropped in the middle of the month, allowing us to buy some rather opportunistically.

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). Regulatory progress has slowed down, pending the next meeting of the Basel Committee to early March. The Bank of England has launched a consultation to refine P2A buffers for banks using standardized risk- weights.

Axiom Obligataire, driven by the market's dynamic on legacy bonds, ends the month of February with an increase of 1.37% and with a yield to call of 6.50%.

The financial debt market continued to increase in **March**. The Subfin index (Tier 2 index of European financial issuers) tightened by more than 30bp to stand at 180bps. Interest rates remained stable over the month, particularly after Donald Trump encountered difficulties in reforming the Obamacare program, and the market still remains unaffected by certain geopolitical risks such as the French presidential elections and with the Brexit process underway.

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. AIB in Ireland closed the earnings

season with 200bp of CET1 generated since June and confirmed its future capital increase. Finally, Raiffeisen bank in Austria has published excellent figures for its new structure which now includes its central entity RZB. With this operation now complete we are waiting for the call of its legacy securities

The bank's restructuring continues: Popular in Spain is considering asset sales to strengthen its capital ratio and the Bank of Portugal has confirmed that it has signed an agreement with Lone Star to buy Novo Banco. Finally, Caixa Geral's recapitalization plan has been approved by the Commission and the ECB has confirmed that Banca Monte dei Paschi is a viable bank, validating its precautionary recapitalization

On the regulatory front, Andréas Dombret, a member of the executive board of the Bundesbank, said that the Basel committee is on its way to reaching an agreement about the so-called "outputs floors" constraints. The new issues were numerous this month: 20 billion senior Holdcos, 9 Tier 2, 5 AT1 with the first one coming from in Portugal, as well as the first international "Restricted Tier 1" issued by an insurer (RSA Insurance Group in England). Calls at par continue the momentum of the past few months: ABN Tier 2, BBVA 5.919%, Lloyds 4.385%, Bank of Ireland and tender offers from Commerzbank, Credit Suisse, Banco BPM and especially Crédit Agricole for 1.5mds of 6 Tier 1 legacy including 6.637% which had a very low coupon (\$ 3mL + 123bp) and CMS (10y + 2.5bp).

The main positive contributions this month are: Fortis BNP, Unicredit Cashes, AT1 pocket and 3 Deutsche Bank Legacy securities (+ 10bps), including Postbank, a retail subsidiary of the group. We took our profits on certain investment cases that had achieved their objectives.

The fund ended the month up 1.03% and has risen by 4.72% over the year.

In **April**, 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.

In Italy, the sector benefited from precautionary recapitalizations for Veneto Banca and Popolare di Vicenza. This measure is confirmed by supervisors as an alternative tool to resolution, provided that the banks in question are found to be solvent.

The primary activity was limited to two new AT1s issued by Erste Bank and Santander in which we participated, and an attractive Tier 2 issued by Credito Valtellinese with a coupon of 8.25%.

The fund ended the month up 1.05% carried by its AT1 pocket and some special situations like the CASHES Unicredit (+10bps contribution in the fund). The rapid upward momentum led us to sell some bonds with limited potential and reduced exposure to the Itraxx Subfin.

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

This proved very positive for AT1s and legacy instruments. The strong legacy instrument performance was further supported by redemptions of bonds trading at a discount to par (Deutsche Pfandbriefbank, Banco BPM and Deutsche Postbank) and the

announcement by the French mutual Bank BPCE of its MREL issuance policy and the subsequent call of its discounted non-step legacy bonds, including CMS.

On the other hand, when publishing its last quarter's earnings, RBI adopted a confusing communication on the call of its legacy step-up, triggering a 1% drop in the bond price (-1.2%). Similarly, Crédit Logement's legacy lost 4.5% after a broker note warned that it could become perpetual T2<sup>2</sup> this is not new for us and does not weaken our investment thesis based on the excess of capital after the floors are abandoned or modified (-5bps contribution of these two bonds to the fund).

The AT1 market is up 1% alongside an active primary market. However, towards 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 (20 bps of negative contribution to the fund).

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 0.66% driven by the legacy bond portfolio (in particular Commerzbank, NDB, BFCM and Fortis).

**June** was a lively month for the banking sector, ending 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. 1.85% of Axiom Obligataire was exposed to the Spanish bank, 1.66% of which concerned Tier 2. We wrote a research note on this subject which is available on request.

The Italian banks, Veneto Banca and Popolare di Vicenza, returned to center stage at the end of the month with the implementation of their liquidation in one weekend. The fund was not exposed to these banks.

The settlement by means of a State aid of these two cases is very good news for Monte dei Paschi who can now benefit alone from the funds allocated in Atlante for the purchase of its non-performing loans. Monte dei Paschi's restructuring plan protects senior debt holders while treating subordinated debt holds more favorably than Banco Popular.

The market welcomed these events positively as it means that the restructuring of the Spanish and Italian banking systems has accelerated.

Uncertainties removed, investors can once again focus on improving the fundamentals of leading European banks. 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 133 bps, 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.

Regards the Legacy strategy, BPCE announced the call of its CMS bond in EUR, which triggered a sharp rise in other CMS instruments such as BFCM and discounted perpetuals such as Crédit Logement (+20bps in the fund).

**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 this trend: 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 began. After three consecutive positive quarters, the trend is now a significant decrease in market revenues due to falling volatility but a still 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).

Legacy bonds remained relatively stable. Only Credit Logement bounced back by +4% after its decrease in May, supported by a strong demand of investors for Legacy floaters (1.40% of the portfolio).

Axiom Obligataire is up 1,39% over the month and 6,06% 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 owner to a Chinese conglomerate.

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 soft print 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.

The Q2 earnings season continued to deliver some strong results, with NPL exposure reductions for Commerzbank and especially NordLB. In the wake of this news, the Legacy Tier 1 of NordLB gained 10 points (1% of our portfolio). RBS posted some historically strong earnings and redeemed several Legacy T1s (notably the USD 6.99, a position of 1.4% in the portfolio) while the 7.0916 and the 7.64 bonds won't be called at their first call date (we do not hold these securities).

In the UK, Provident Financial released negative results: the implementation of the new business plan is facing difficulties and the FCA is investigating the conditions of distribution of a product. We were not invested in any of Provident Financial's bonds but we took advantage of the 30-point slump of the securities, both senior and Investment Grade, to build a small position in our portfolio. After an upturn of 10 points, we sold our whole position (contribution of +3bps).

On the primary market, Barclays issued a GBP 1.25bn PerpNC7 AT1 at 5.875% coupon. We did not participate in the issuance.

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

The main contributors this month are essentially Legacy bonds, notably NordLB (+11bps), Fortis BNP (+10bps) and Commerzbank (+3bps).

Axiom Obligataire is up 0.09% over the month and 6.16% YTD.

**In September** the fund was driven by its legacy bonds portfolio, in particular the Fortis Cashes which continued to catch up with its undervaluation (+11bps of contribution) and the Unicredit Cashes (+4bps of contribution). After a year and a half of waiting, Raiffeisen Bank finally called its Tier 1 step-up bond that had lost its regulatory value. This security was still valued below par (+5bps of contribution); more importantly it was a historic line in the portfolio of Axiom

Obligataire on which we had started building a position when it traded at 35% of par in early 2015.

The AT1 pocket performed well too 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.

In the Fixed-to-fixed pocket, BNP did not call its Tier 1 4 7/8 in the beginning of the month, which extends the deadline of the next call by one year. Consequently, the security gained 3 points (+12bps of contribution since it represented 5% of the portfolio).

Among reinsurers, the market suffered from the hurricanes in the Carribeans. We did not have any of their securities in our portfolio but we took the opportunity to establish a position on the two most solid of them (Hannover Re and Munich Re) whose spread widening seems excessive.

The fund ended the month up 0.62% and up 6.82% since the beginning of the year.

Subordinated financials continued to grow in **October** 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 rather than tapering.

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.

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.

In the Legacy pocket, some positions that had been stalling for several months have regained interest, such as UniCredit Cashes (13bps of contribution) or HSCB discos (8bps of contribution).

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.

After this appreciation, we slightly reduced the AT1 pocket to increase the Legacy one, reinforcing such lines as Crédit Logement, BFCM and DZ Bank.

The fund ends the month up 1.27%, bringing the year-to-date performance to 8.17%.

The sector continued to grow in **November** despite a slight consolidation at the beginning of the month.

The Q3 results highlighted once again the positive trends in the sector: 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.

On the legacy front, we see a universe of opportunities as corporate actions accelerate. The key event of the month was the tender by Credit Logement on its Tier 1 floater (2.3% of the fund). We tendered half of the position for the new Tier 2 given the value offered in the spread. Both issues have traded well after the offer: 100.75% for Tier 2 and 92.25% for Tier 1 (vs. 91.5% tender price).

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.

The fund ends the month up +0,37%, bringing the year-to-date performance to +8,57%.

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.

In this context, the fund's performance this month was mainly driven by its Legacy portfolio. The main contributors of the month are the Unicredit cashes (+3 bps of contribution following the payment of the dividend which suggests a recovery of the coupons in May as we were expecting), the newly issued Tier 2 of Cattolica (+2.5 pts in 2 weeks) and the non-call of the Tier 1 Prudential 7.75.

We made many decisions in anticipation of 2018. We have reinforced our position on RBS fixed-to-fixed, AGEAS fresh and increased exposure on some AT1s.

The fund ended the month of **December** up +0.13%, achieving a full year performance of +8.71% for 2017.

#### Analysis of the equity risk associated with preferred shares

Preferred shares represent more than 20% of fund assets. Preferred shares are not exchangeable into other shares. Nevertheless, these securities are legally classified as “preferred shares”. Banks created these preferred shares so that regulators would allow them to be counted as capital just like common shares. The fund that holds these shares is a shareholder and not a creditor. However, “preferred shares” will not take part in stock price increases, shareholders’ meetings, etc. In addition, these preferred shares possess bond-like features (fixed coupon but subordinated under certain conditions, nominal value, rating, duration, redemption at par value). However, in the event of bank insolvency, preferred shares will contribute to meeting the bank’s liabilities, but in the same way as regular subordinated debt.

*Axiom has concluded that these preferred shares, by their very nature, present no equity risk. Volatility is non-zero only when the risk of insolvency rises.*

### Exposure

Axiom Obligataire 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 99.60% hedged.

The fund was also invested in CDS (credit default swaps) hedges with the following counterparties: BARCLAYS, GOLDMAN SACHS and JP MORGAN. As of 29 December, the fund was -4.25% exposed through derivatives (especially CDS) and 19.79% exposed through embedded derivatives (especially AT1).

### Performances

Axiom Obligataire	2017
Part C	8,71%
Part D	8,78%
Part R	8,22%
Part BC	10,74%
Part Z	11,42%
Part M	8,80%
Part E	9,36%
Part I	8,52%
Part J	8,90%

Past performance is no guarantee of future results.

### **Main portfolio changes during the financial year**

Securities	Changes ("Accounting currency")	
	Acquisitions	Disposals
ING GROEP NV 6.375% 31-12-99	9,411,728.10	9,411,728.10
UBS CAP 7.152 12-17	7,896,140.50	7,600,000.00
BNP PARIB 4.875% PERP *EUR	12,078,570.01	0.00
AXA SA TF/TV PERP.	5,723,390.00	5,600,000.00
NATIXIS 6.307% PERP	5,400,750.00	5,250,000.00
UNION + SI.3 DEC	0.00	7,649,931.30
SOCIETE GENERALE 7.875 31/12/2099	0.00	7,628,969.92
RZB FINANCE JERSEY IV LTD E3R+1.95% PERP	2,332,850.00	4,500,000.00
PRUDENTIAL PLC	6,795,007.14	0.00
BPCE 6.117% PERP EMTN	3,342,737.50	3,250,000.00

### **Transparency of securities financing transactions and of reuse (SFTR Regulation), in the accounting currency of the Fund (EUR)**

During the financial year, the Fund did not enter into any transactions covered by the SFTR Regulation.

• **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: **173,639,722.79**
  - **Currency derivatives: 136,599,623.53**
  - **Futures: 24,504,099.26**
  - **Options: 536,000.00**
  - **Swaps: 12,000,000.00**

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

Efficient portfolio management techniques	Derivative instruments (*)
	CACEIS BANK (FRANCE) JP MORGAN CHASE PARIS GOLDMAN SACHS PARIS BARCLAYS BANK

(\*) Except listed derivatives.

**c) Collateral received by the UCITS to reduce counterparty exposure**

<b>Types of instruments</b>	<b>Portfolio currency amount</b>
<p><b>Efficient portfolio management techniques</b></p> <ul style="list-style-type: none"> <li>. Term deposits</li> <li>. Shares</li> <li>. Bonds</li> <li>. UCITS</li> <li>. Cash (**)</li> </ul> <p style="text-align: center;"><b>Total</b></p>	
<p><b>Derivative instruments</b></p> <ul style="list-style-type: none"> <li>. Term deposits</li> <li>. Shares</li> <li>. Bonds</li> <li>. UCITS</li> <li>. Cash</li> </ul> <p style="text-align: center;"><b>Total</b></p>	

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

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

<b>Income and operating costs</b>	<b>Portfolio currency amount</b>
. Income (***)	312.37
. Other income	
<b>Total income</b>	<b>312.37</b>
. Direct operating costs	
. Indirect operating costs	
. Other costs	
<b>Total costs</b>	

(\*\*\*) 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 agreements	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**

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

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**e) Type and quality of collateral**

<b>Type</b>					
- Shares					
- Bonds					
- Fund					
- Transferable debt securities					
- Cash					
<b>Rating</b>					

**f) Settlement and clearing of contracts**

Tri-party					
Central counterparty					
Bilateral	X			X	

	Securities lending	Securities borrowing	Repurchase agreements	Reverse repurchase agreements	TRS
--	--------------------	----------------------	-----------------------	-------------------------------	-----

**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					

**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					

	Securities lending	Securities borrowing	Repurchase agreements	Reverse repurchase agreements	TRS
--	--------------------	----------------------	-----------------------	-------------------------------	-----

**l) Breakdown of data on income and costs**

Income					
- Fund				312,37	
- 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.

**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.



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

**AXIOM OBLIGATAIRE**  
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 OBLIGATAIRE, 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.

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## AXIOM OBLIGATAIRE

### 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 of the key audit matters that, in our professional judgement, were of most significance in our audit of the annual financial statements of the current period.

1. Portfolio securities issued by high credit risk companies:

Securities in the portfolio which were issued by high credit risk companies and whose rating is low or which have no rating are valued in accordance with the methods described in the note to the financial statements relating to accounting rules and methods. Such financial instruments are valued based on quoted prices or prices supplied by financial services providers. Securities valued based on the latest prices supplied by the financial services providers selected by the Management Company represented 3.94% of the net asset value as of 29 December 2017. We have been informed of the procedures for obtaining prices and we have tested the consistency of prices with an outside database. Based on the information that formed the basis for the valuations determined, we have assessed the method used by the Management Company.

2. Financial contracts meeting the criteria of credit derivatives:

Financial contracts meeting the criteria of credit derivatives are valued according to financial models approved by the Management Company. The mathematical models used are based on external data and market assumptions. Based on the information that formed the basis for the valuations determined, we have assessed the method used by the Management Company.

3. Other financial instruments held in the portfolio:

Our assessments focused on the appropriateness of the accounting principles applied and on the reasonableness of significant estimates used.

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.

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## AXIOM OBLIGATAIRE

### **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;

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## **AXIOM OBLIGATAIRE**

- 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
<b>Net fixed assets</b>		
<b>Deposits</b>		
<b>Financial instruments</b>	<b>265,757,723.73</b>	<b>208,529,894.51</b>
<b>Equities and similar securities</b>	<b>15,271,563.51</b>	<b>28,447,921.53</b>
Traded on a regulated or similar market	15,271,563.51	28,447,921.53
Not traded on a regulated or similar market		
<b>Bonds and similar securities</b>	<b>243,564,311.60</b>	<b>167,539,795.69</b>
Traded on a regulated or similar market	243,564,311.60	167,539,795.69
Not traded on a regulated or similar market		
<b>Debt securities</b>		
Traded on a regulated or similar market		
Transferable debt securities		
Other debt securities		
Not traded on a regulated or similar market		
<b>Collective investment undertakings</b>	<b>6,627,778.92</b>	<b>12,097,400.38</b>
General-purpose UCITS and AIFs intended for retail investors, and foreign equivalents	6,627,778.92	12,097,400.38
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		
<b>Securities financing transactions</b>		
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		
<b>Financial derivatives</b>	<b>294,069.70</b>	<b>444,776.91</b>
Transactions on a regulated or similar market	187,879.77	197,855.45
Other transactions	106,189.93	246,921.46
<b>Other financial instruments</b>		
<b>Receivables</b>	<b>137,617,657.12</b>	<b>134,650,561.31</b>
<b>Currency derivatives</b>	<b>136,599,623.53</b>	<b>130,421,526.24</b>
<b>Others</b>	<b>1,018,033.59</b>	<b>4,229,035.07</b>
<b>Financial assets</b>	<b>19,766,970.60</b>	<b>12,378,955.64</b>
<b>Cash</b>	<b>19,766,970.60</b>	<b>12,378,955.64</b>
<b>Total assets</b>	<b>423,142,351.45</b>	<b>355,559,411.46</b>

## LIABILITIES

	29/12/2017	30/12/2016
<b>Equity</b>		
<b>Share capital</b>	<b>275,064,593.45</b>	<b>202,694,885.35</b>
<b>Undistributed net capital gains and losses from prior years (a)</b>		
<b>Retained earnings brought forward (a)</b>	<b>5.16</b>	<b>34.90</b>
<b>Net capital gains and losses for the year (a, b)</b>	<b>2,887,956.08</b>	<b>9,146,159.62</b>
<b>Profit for the year (a, b)</b>	<b>6,737,278.37</b>	<b>8,588,231.72</b>
<b>Total equity (= amount corresponding to net assets)</b>	<b>284,689,833.06</b>	<b>220,429,311.59</b>
<b>Financial instruments</b>	<b>187,878.07</b>	<b>2,636,901.26</b>
<b>Sales of financial instruments</b>		
<b>Securities financing transactions</b>		
Payables on securities transferred under a repurchase agreement		
Payables on borrowed securities		
Other securities financing transactions		
<b>Financial derivatives</b>	<b>187,878.07</b>	<b>2,636,901.26</b>
Transactions on a regulated or similar market	187,878.07	197,854.98
Other transactions		2,439,046.28
<b>Payables</b>	<b>138,232,888.82</b>	<b>132,482,501.46</b>
<b>Currency derivatives</b>	<b>134,858,944.96</b>	<b>131,827,311.81</b>
<b>Others</b>	<b>3,373,943.86</b>	<b>655,189.65</b>
<b>Financial liabilities</b>	<b>31,751.50</b>	<b>10,697.15</b>
<b>Short-term bank loans</b>	<b>31,751.50</b>	<b>10,697.15</b>
<b>Borrowings</b>		
<b>Total liabilities</b>	<b>423,142,351.45</b>	<b>355,559,411.46</b>

a) Including accruals

b) Minus any interim distributions made during the year

- **OFF-BALANCE SHEET in EUR**

	29/12/2017	30/12/2016
<b>Hedging transactions</b>		
<b>Exposure on a regulated or similar market</b>		
<b>Futures contracts</b>		
EUR DJE 600 BAN 0317		1,072,000.00
EUR DJE 600 BAN 0318	1,824,000.00	
LIFFE LG GILT 0317		7,370,548.27
LIFFE LG GILT 0318	7,050,076.04	
TY CBOT YST I 0317		14,139,606.54
TY CBOT YST I 0318	12,396,423.22	
XEUR FGBL BUN 0318	3,233,600.00	
<b>Exposure on an OTC market</b>		
<b>Options</b>		
SNRFIN CDSI S28 5Y C 12/2022 PUT 65	536,000.00	
<b>Other exposure</b>		
<b>Other transactions</b>		
<b>Exposure on a regulated or similar market</b>		
<b>Exposure on an OTC market</b>		
<b>Credit default swaps</b>		
BACRED CDS EUR SR 1Y D14		5,000,000.00
BPESP CDS EUR SR 2Y D14		3,000,000.00
CABKSM CDS EUR SR 2Y D14	5,000,000.00	5,000,000.00
CDS MEDIOBANCA	7,000,000.00	
DB CDS EUR SR 6M D14		3,000,000.00
ITRAXX EUR SUB FINAN		35,000,000.00
MONTE CDS EUR SUB 5Y		1,000,000.00
<b>Other exposure</b>		

• **PROFIT & LOSS ACCOUNT in EUR**

	29/12/2017	30/12/2016
<b>Income from financial transactions</b>		
Income from deposits and financial assets	6,374.34	
Income from equities and similar securities	1,427,229.41	2,413,120.53
Income from bonds and similar securities	12,029,886.95	12,795,843.68
Income from debt securities		
Income from (reverse) repurchase agreements	312.37	
Income from financial derivatives		
Other finance income		
<b>Total (1)</b>	<b>13,463,803.07</b>	<b>15,208,964.21</b>
<b>Expenses on financial transactions</b>		
Expenses on (reverse) repurchase agreements		
Expenses on financial derivatives		
Expenses on financial liabilities	54,466.38	56,863.47
Other finance costs		
<b>Total (2)</b>	<b>54,466.38</b>	<b>56,863.47</b>
<b>Profit/(loss) from financial transactions (1 - 2)</b>	<b>13,409,336.69</b>	<b>15,152,100.74</b>
Other income (3)		
Management fees and provision for depreciation (4)	6,516,763.27	4,902,976.75
<b>Net profit/(loss) for the financial year (L. 214-17-1) (1 - 2 + 3 - 4)</b>	<b>6,892,573.42</b>	<b>10,249,123.99</b>
Accruals for the financial year (5)	-155,295.05	-1,660,892.27
Interim distributions of profits made for the financial year (6)		
<b>Profit/(loss) (1 - 2 + 3 - 4 + 5 - 6)</b>	<b>6,737,278.37</b>	<b>8,588,231.72</b>

## 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.

The securities XS0310904155 SNS REAAL 6.258% representing 0.00% of the assets as of 29 December 2017 are valued at nil as instructed by the management company. These securities are being expropriated as the issuer was nationalised by the Dutch state. This valuation has remained unchanged since 5 January 2016.

The securities XS0310904155 SNS REAAL 6.258% representing 0.00% of the assets as of 30 December 2016 are valued at nil as instructed by the management company. These securities are being expropriated as the issuer was nationalised by the Dutch state. This valuation has remained unchanged since 5 January 2016.

The following securities representing 3.94% of the assets as of 29 December 2017 are valued based on the latest prices supplied by selected financial services providers:

- ES0213790027 BANCO POP 8.25%, unchanged since 23/10/17,
- ES02137\*0019 BANCO POP 8%, unchanged since 23/10/17,
- ES0213790001 BANCO POP FLR, unchanged since 28/07/17,

- XS0273230572 DEXIA FUND TF/TV, unchanged since 21/12/17,
- NL0000121416 AEGON 5.185%, unchanged since 22/12/17,
- ES0101339028 CAIX PREF FLR, unchanged since 13/12/17,
- US44965UAA25 ILFC ECA FLR, unchanged since 21/12/17,
- US86800XAA63 SUNT PREF FLR, unchanged since 07/11/17,
- US903312AA48 USB REAL FLR, unchanged since 13/12/17,
- XS0997539274 ESP SANT 3.125%, unchanged since 21/12/17,
- XS1584966737 ROYAL & SUN ALL, unchanged since 11/12/17,

As a result, there might be a significant difference between the value recorded on the asset side of the balance sheet and determined as indicated above and the price at which the securities would be sold if they were to be sold in the near future.

***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 defined 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.

### **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 R: maximum 2.50% incl. taxes Share Classes C, D, M, BC and E: maximum 2% incl. taxes Share Classes I, J and G: maximum 1.20% incl. taxes Share Class Z: maximum 0.05% incl. taxes
Maximum indirect costs (management fees and commissions)*	Net assets	*
Performance fees	Net assets	20% (incl. taxes) of the Fund's annual return in excess of that of the Iboxx Euro T1 index and in excess of that of the 3-month Euribor for Share Classes C, D, R, I, J and G; 3-month CHF Libor for Share Class M; 3-month USD Libor for Share Class BC; and 3-month GBP Libor for Share Class E.
Transaction fees	Charged on each transaction	None

\*: Since the Fund invests less than 20% 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.

#### Calculation method for performance fees:

Performance fees applicable to each share class are based on the comparison of the valuation of the Fund's assets and that of the reference asset.

The benchmark index is the iBoxx Euro T1.

The reference asset represents the portion of the Fund's total assets that is associated with a given share class, adjusted for the amounts of subscriptions and redemptions affecting that share class upon each valuation and, where applicable, valued based on the reference performance.

The reference performance is the maximum performance over a reference period of: iBoxx Euro T1, 3-month Euribor for Share Classes C, D, R, I, J and G; 3-month CHF Libor for Share Class M; 3-month USD Libor for Share Class BC; and 3-month GBP Libor for Share Class E.

Performance fees are calculated over a 12-month reference period coinciding with the financial year. Exceptionally, the first reference period may exceed 12 months and will start at Fund inception. It will end on the last trading day of July 2010.

Exceptionally, following the change of year end decided in 2015, the reference period started on 1 August 2014 and will end on 31 December 2015, thus exceeding 12 months.

Performance is calculated by comparing the change in the Fund's asset value with that of a reference fund which has accurately tracked the benchmark index over the year of performance and recorded the same subscription and redemption variations as the actual Fund.

- If, over the reference period, the Fund's performance (with coupons reinvested) is positive and exceeds that of the reference fund, then the variable portion of management fees shall amount to 20% of the difference between the Fund's performance and that of its reference fund.

- If, over the reference period, the Fund's performance is lower than that of its reference fund, the variable part of management fees will be zero. Over the next reference period, the outperformance will not give rise to a provision for variable management fees until the underperformance accumulated by the Fund's net assets (relative to the net assets of the reference fund) during the previous reference period is compensated for.

- If, over the reference period, the Fund's performance since the beginning of the reference period is greater than that of the reference fund (calculated over the same period), this outperformance will be subject to a provision for variable management fees upon NAV calculation.

If the Fund momentarily underperforms its reference fund between two NAV calculation dates, then any provision previously made will be adjusted through a reversal of provision. Such reversals shall not exceed the amount of provisions previously accumulated.

This variable portion of management fees will only be definitively transferred to the Management Company at the end of the reference period if, over that period, the Fund's performance has exceeded that of its reference fund. Redemptions made during the period will give rise to the advance payment of their share of the variable portion of management fees.

The Iboxx Euro Tier I index, which is the benchmark index used to calculate variable management fees, was composed of four bonds as of 31/12/2015. The rules for calculating the index provide that bonds whose maturity has become less than 1 year should be excluded. In July 2017, the index was composed of two bonds. The maturity date of the first one is 02/07/2018. The second one was called by the issuer on 21/12/2017. Given the above calculation rules, the reported level of the index has remained unchanged since 31/07/2017. As a result, the Management Company decided to recalculate a theoretical index based on the performance of the two bonds that had not yet been redeemed as of the end of the reporting period.

These fees will be charged directly to the Fund's profit & loss account.

The retrocession of management fees to be received is taken into account upon each NAV calculation. The amount of the provision is equal to the retrocession receivable for the relevant period.

### **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:**

<i>Distributable amounts</i>	<i>Share Classes C, BC, E, G, I, J, M, R and Z</i>	<i>Share Class D</i>
Appropriation of net profit	Accumulation	Distribution
Appropriation of net realised capital gains or losses	Accumulation	Except otherwise specified in the prospectus, net realised capital gains shall be systematically accumulated

• **CHANGES IN NET ASSETS in EUR**

	29/12/2017	30/12/2016
<b>Net assets at the beginning of the financial year</b>	<b>220,429,311.59</b>	<b>282,120,884.34</b>
Subscriptions (including subscription fees charged by the Fund)	145,623,251.74	90,076,910.75
Redemptions (after deduction of redemption fees charged by the Fund)	-101,180,025.53	-151,706,343.99
Capital gains realised on deposits and financial instruments	12,608,708.96	10,862,130.41
Capital losses realised on deposits and financial instruments	-12,511,795.61	-9,626,288.13
Capital gains realised on financial derivatives	13,264,345.49	29,006,676.38
Capital losses realised on financial derivatives	-9,387,438.68	-20,811,843.72
Transaction costs	-18,806.19	-32,412.94
Foreign exchange differences	-7,575,909.00	-7,150,470.89
Changes in the valuation difference of deposits and financial instruments	14,428,063.31	-9,783,082.15
Valuation difference for financial year N	-569,371.70	-14,997,435.01
Valuation difference for financial year N-I	14,997,435.01	5,214,352.86
Changes in the valuation difference of financial derivatives	2,389,871.41	-2,621,059.04
Valuation difference for financial year N	117,217.52	-2,272,653.89
Valuation difference for financial year N-I	2,272,653.89	-348,405.15
Distribution of net capital gains and losses for the previous financial year		
Distribution of profits for the previous financial year	-272,317.85	-154,913.42
Net profit/loss for the financial year before accruals	6,892,573.42	10,249,123.99
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		
<b>Net assets at the end of the financial year</b>	<b>284,689,833.06</b>	<b>220,429,311.59</b>

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

	Amount	%
<b>Assets</b>		
<b>Bonds and similar securities</b>		
Other bonds (index-linked, <i>titres participatifs</i> [participation certificates])	1,777,189.56	0.62
Fixed-rate bonds traded on a regulated or similar market	169,148,844.00	59.42
Variable- and adjustable-rate bonds traded on a regulated or similar market	58,739,764.39	20.63
Convertible bonds traded on a regulated or similar market	13,898,513.65	4.88
<b>TOTAL Bonds and similar securities</b>	<b>243,564,311.60</b>	<b>85.55</b>
<b>Debt securities</b>		
<b>TOTAL Debt securities</b>		
<b>Liabilities</b>		
<b>Sales of financial instruments</b>		
<b>TOTAL Sales of financial instruments</b>		
<b>Off-balance sheet</b>		
<b>Hedging transactions</b>		
Equity	1,824,000.00	0.64
Credit	536,000.00	0.19
Interest rate	22,680,099.26	7.97
<b>TOTAL Hedging transactions</b>	<b>25,040,099.26</b>	<b>8.80</b>
<b>Other transactions</b>		
Credit	12,000,000.00	4.22
<b>TOTAL Other transactions</b>	<b>12,000,000.00</b>	<b>4.22</b>

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

	Fixed rate	%	Variable rate	%	Adjustable rate	%	Others	%
<b>Assets</b>								
Deposits								
Bonds and similar securities	170,328,090.99	59.83			70,952,080.14	24.92	2,284,140.47	0.80
Debt securities								
Securities financing transactions								
Financial assets							19,766,970.60	6.94
<b>Liabilities</b>								
Securities financing transactions								
Financial liabilities							31,751.50	0.01
<b>Off-balance sheet</b>								
Hedging transactions	22,680,099.26	7.97						
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	%
<b>Assets</b>										
Deposits										
Bonds and similar securities			33,327.00	0.01	66,960.00	0.02	1,558,414.96	0.55	241,905,609.64	84.97
Debt securities										
Securities financing transactions										
Financial assets	19,766,970.60	6.94								
<b>Liabilities</b>										
Securities financing transactions										
Financial liabilities	31,751.50	0.01								
<b>Off-balance sheet</b>										
Hedging transactions									22,680,099.26	7.97
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 QUOTE OR VALUATION CURRENCY**

	GBP		USD		CHF		Other currencies	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>								
Deposits								
Equities and similar securities	11,149,832.08	3.92	4,121,731.43	1.45				
Bonds and similar securities	18,405,062.71	6.46	79,243,030.60	27.83			1,938,706.96	0.68
Debt securities								
Collective investment undertakings	113,610.21	0.04						
Securities financing transactions								
Receivables	527,234.84	0.19	11,424,512.10	4.01	1,843,356.05	0.65		
Financial assets	1,170,982.04	0.41	38,899.53	0.01			21,973.00	0.01
<b>Liabilities</b>								
Sales of financial instruments								
Securities financing transactions								
Payables	30,755,365.29	10.80	88,690,872.75	31.15			1,955,957.89	0.69
Financial liabilities					31,751.50	0.01		
<b>Off-balance sheet</b>								
Hedging transactions	7,050,076.04	2.48	12,396,423.22	4.35				
Other transactions								

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

	Type of payable/receivable	29/12/2017
Receivables	Forward purchases of currency	13,306,363.00
	Amounts to be received from a forward sale of currency	123,293,260.53
	Subscription amounts to be received	67,364.55
	Retrocessions of management fees	4,561.55
	Cash collateral	465,713.27
	Cash coupons and dividends	480,394.22
<b>Total receivables</b>		<b>137,617,657.12</b>
Payables	Forward sales of currency	121,402,195.93
	Amounts to be paid for forward purchases of currency	13,456,749.03
	Redemption amounts to be paid	1,081,391.31
	Management fees	383,209.72
	Variable management fees	1,909,342.83
<b>Total payables</b>		<b>138,232,888.82</b>

- NUMBER OF SHARES ISSUED OR REDEEMED**

	Number of shares	Amount
<b>Share Class Z</b>		
Shares subscribed during the financial year	500.0000	987,052.40
Shares redeemed during the financial year	-13.0000	-26,929.63
Net balance of subscriptions and redemptions	487.0000	960,122.77
<b>Share Class C</b>		
Shares subscribed during the financial year	13,970.1846	26,306,832.63
Shares redeemed during the financial year	-23,614.0647	-44,257,046.40
Net balance of subscriptions and redemptions	-9,643.8801	-17,950,213.77
<b>Share Class J</b>		
Shares subscribed during the financial year	1,817.9411	2,059,999.96
Shares redeemed during the financial year		
Net balance of subscriptions and redemptions	1,817.9411	2,059,999.96
<b>Share Class I</b>		
Shares subscribed during the financial year	56,116.6795	62,285,040.03
Shares redeemed during the financial year	-35,389.6758	-39,979,603.31
Net balance of subscriptions and redemptions	20,727.0037	22,305,436.72
<b>Share Class BC</b>		
Shares subscribed during the financial year	179.0000	307,693.71
Shares redeemed during the financial year	-203.9683	-339,655.31
Net balance of subscriptions and redemptions	-24.9683	-31,961.60
<b>Share Class G</b>		
Shares subscribed during the financial year	37,107.9907	37,465,323.04
Shares redeemed during the financial year	-2,537.0000	-2,588,981.59
Net balance of subscriptions and redemptions	34,570.9907	34,876,341.45
<b>Share Class E</b>		
Shares subscribed during the financial year	51.0000	112,534.98
Shares redeemed during the financial year	-4.0000	-8,781.86
Net balance of subscriptions and redemptions	47.0000	103,753.12
<b>Share Class M</b>		
Shares subscribed during the financial year	44.0000	70,531.68
Shares redeemed during the financial year	-388.0000	-620,713.22
Net balance of subscriptions and redemptions	-344.0000	-550,181.54
<b>Share Class R</b>		
Shares subscribed during the financial year	8,524.6960	15,238,121.34
Shares redeemed during the financial year	-6,611.4311	-11,747,238.97
Net balance of subscriptions and redemptions	1,913.2649	3,490,882.37
<b>Share Class D</b>		
Shares subscribed during the financial year	482.1755	790,121.97
Shares redeemed during the financial year	-989.2147	-1,611,075.24
Net balance of subscriptions and redemptions	-507.0392	-820,953.27

- SUBSCRIPTION AND/OR REDEMPTION FEES**

	Amount
<b>Share Class Z</b>	
Redemption fees charged by the Fund	
Subscription fees charged by the Fund	
Total fees charged by the Fund	
<b>Share Class C</b>	
Redemption fees charged by the Fund	
Subscription fees charged by the Fund	
Total fees charged by the Fund	

- SUBSCRIPTION AND/OR REDEMPTION FEES**

	<b>Amount</b>
<b>Share Class J</b> Redemption fees charged by the Fund Subscription fees charged by the Fund Total fees charged by the Fund	
<b>Share Class G</b> Redemption fees charged by the Fund Subscription fees charged by the Fund Total fees charged by the Fund	
<b>Share Class I</b> Redemption fees charged by the Fund Subscription fees charged by the Fund Total fees charged by the Fund	
<b>Share Class BC</b> Redemption fees charged by the Fund Subscription fees charged by the Fund Total fees charged by the Fund	
<b>Share Class E</b> Redemption fees charged by the Fund Subscription fees charged by the Fund Total fees charged by the Fund	
<b>Share Class M</b> Redemption fees charged by the Fund Subscription fees charged by the Fund Total fees charged by the Fund	
<b>Share Class R</b> Redemption fees charged by the Fund Subscription fees charged by the Fund Total fees charged by the Fund	
<b>Share Class D</b> Redemption fees charged by the Fund Subscription fees charged by the Fund Total fees charged by the Fund	

- MANAGEMENT FEES**

	<b>29/12/2017</b>
<b>Share Class J</b> Guarantee fees Fixed management fees Percentage of fixed management fees Variable management fees Retrocessions of management fees	  128,743.55 0.75 275,341.65 3,749.93
<b>Share Class C</b> Guarantee fees Fixed management fees Percentage of fixed management fees Variable management fees Retrocessions of management fees	  3,346,923.45 2.00 865,374.54 36,795.03
<b>Share Class Z</b> Guarantee fees Fixed management fees Percentage of fixed management fees Variable management fees Retrocessions of management fees	  928.85 0.05  425.16

- MANAGEMENT FEES**

	<b>29/12/2017</b>
<b>Share Class BC</b>	
Guarantee fees	
Fixed management fees	123,319.41
Percentage of fixed management fees	2.00
Variable management fees	50,058.79
Retrocessions of management fees	1,298.41
<b>Share Class G</b>	
Guarantee fees	
Fixed management fees	159,925.85
Percentage of fixed management fees	0.75
Variable management fees	217,210.47
Retrocessions of management fees	5,702.93
<b>Share Class I</b>	
Guarantee fees	
Fixed management fees	316,539.78
Percentage of fixed management fees	1.20
Variable management fees	328,317.39
Retrocessions of management fees	6,589.56
<b>Share Class E</b>	
Guarantee fees	
Fixed management fees	6,337.47
Percentage of fixed management fees	2.00
Variable management fees	2,925.03
Retrocessions of management fees	69.46
<b>Share Class M</b>	
Guarantee fees	
Fixed management fees	45,451.25
Percentage of fixed management fees	2.00
Variable management fees	
Retrocessions of management fees	486.42
<b>Share Class R</b>	
Guarantee fees	
Fixed management fees	463,741.54
Percentage of fixed management fees	2.50
Variable management fees	85,786.88
Retrocessions of management fees	4,086.12
<b>Share Class D</b>	
Guarantee fees	
Fixed management fees	131,768.54
Percentage of fixed management fees	2.00
Variable management fees	28,717.36
Retrocessions of management fees	1,445.51

- 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 sheet	

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

	ISIN Code	Names	29/12/2017
Shares			11,149,832.08
	GG00BTC2K735	AXIOM EUR FIN DEBT FD GBP	11,149,832.08
Bonds			
Transferable debt securities			
Collective investment undertakings			3,505,275.26
	FR0012419661	AXIOM CONTINGENT CAPITAL R	119,654.00
	FR0011689363	Axiom Equity C	2,860,219.01
	FR0012807220	AXIOM OPTIMAL FIX C EUR	525,402.25
Financial derivatives			

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

	29/12/2017	30/12/2016
<b>Amounts to be appropriated</b>		
Retained earnings	5.16	34.90
Profit/loss	6,737,278.37	8,588,231.72
<b>Total</b>	<b>6,737,283.53</b>	<b>8,588,266.62</b>

	29/12/2017	30/12/2016
<b>Share Class J Appropriation</b>		
Distribution		
Retained earnings for the year		
Accumulation	507,395.11	391,162.82
<b>Total</b>	<b>507,395.11</b>	<b>391,162.82</b>

	29/12/2017	30/12/2016
<b>Share Class C Appropriation</b>		
Distribution		
Retained earnings for the year		
Accumulation	4,016,364.84	6,834,352.70
<b>Total</b>	<b>4,016,364.84</b>	<b>6,834,352.70</b>

	29/12/2017	30/12/2016
<b>Share Class Z Appropriation</b>		
Distribution		
Retained earnings for the year		
Accumulation	118,290.86	77,181.27
<b>Total</b>	<b>118,290.86</b>	<b>77,181.27</b>

	29/12/2017	30/12/2016
<b>Share Class G Appropriation</b>		
Distribution		
Retained earnings for the year		
Accumulation	674,010.42	
<b>Total</b>	<b>674,010.42</b>	

	29/12/2017	30/12/2016
<b>Share Class BC</b>		
<b>Appropriation</b>		
Distribution		
Retained earnings for the year		
Accumulation	135,814.57	235,398.99
<b>Total</b>	<b>135,814.57</b>	<b>235,398.99</b>

	29/12/2017	30/12/2016
<b>Share Class I</b>		
<b>Appropriation</b>		
Distribution		
Retained earnings for the year		
Accumulation	627,149.62	88,793.24
<b>Total</b>	<b>627,149.62</b>	<b>88,793.24</b>

	29/12/2017	30/12/2016
<b>Share Class E</b>		
<b>Appropriation</b>		
Distribution		
Retained earnings for the year		
Accumulation	8,752.72	11,965.72
<b>Total</b>	<b>8,752.72</b>	<b>11,965.72</b>

	29/12/2017	30/12/2016
<b>Share Class M</b>		
<b>Appropriation</b>		
Distribution		
Retained earnings for the year		
Accumulation	57,705.92	95,792.08
<b>Total</b>	<b>57,705.92</b>	<b>95,792.08</b>

	29/12/2017	30/12/2016
<b>Share Class R</b>		
<b>Appropriation</b>		
Distribution		
Retained earnings for the year		
Accumulation	443,945.72	595,376.53
<b>Total</b>	<b>443,945.72</b>	<b>595,376.53</b>

	29/12/2017	30/12/2016
<b>Share Class D</b>		
<b>Appropriation</b>		
Distribution	147,846.93	258,237.40
Retained earnings for the year	6.82	5.87
Accumulation		
<b>Total</b>	<b>147,853.75</b>	<b>258,243.27</b>
<b>Information on shares entitled to distribution</b>		
Number of shares	3,508.4701	4,015.5093
Distribution per share	42.14	64.31
<b>Tax credits</b>		
Tax credit attached to the distribution of profits	57.55	

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

	29/12/2017	30/12/2016
<b>Amounts to be appropriated</b>		
Undistributed net capital gains and losses from prior financial years		
Net capital gains and losses for the year	2,887,956.08	9,146,159.62
Interim distributions of net capital gains and losses made for the financial year		
<b>Total</b>	<b>2,887,956.08</b>	<b>9,146,159.62</b>

	29/12/2017	30/12/2016
<b>Share Class J</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	222,155.72	-112,768.54
<b>Total</b>	<b>222,155.72</b>	<b>-112,768.54</b>

	29/12/2017	30/12/2016
<b>Share Class Z</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	28,491.55	60,028.63
<b>Total</b>	<b>28,491.55</b>	<b>60,028.63</b>

	29/12/2017	30/12/2016
<b>Share Class C</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	1,883,970.93	7,847,192.47
<b>Total</b>	<b>1,883,970.93</b>	<b>7,847,192.47</b>

	29/12/2017	30/12/2016
<b>Share Class G</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	662,030.99	
<b>Total</b>	<b>662,030.99</b>	

	29/12/2017	30/12/2016
<b>Share Class I</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	313,502.47	1,337.96
<b>Total</b>	<b>313,502.47</b>	<b>1,337.96</b>

	29/12/2017	30/12/2016
<b>Share Class BC</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-399,060.67	240,537.05
<b>Total</b>	<b>-399,060.67</b>	<b>240,537.05</b>

	29/12/2017	30/12/2016
<b>Share Class E</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-8,208.51	-40,959.88
<b>Total</b>	<b>-8,208.51</b>	<b>-40,959.88</b>

	29/12/2017	30/12/2016
<b>Share Class M</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-122,011.47	80,832.95
<b>Total</b>	<b>-122,011.47</b>	<b>80,832.95</b>

	29/12/2017	30/12/2016
<b>Share Class R</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	243,035.22	768,388.81
<b>Total</b>	<b>243,035.22</b>	<b>768,388.81</b>

	29/12/2017	30/12/2016
<b>Share Class D</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	64,049.85	301,570.17
<b>Total</b>	<b>64,049.85</b>	<b>301,570.17</b>

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

	31/07/2014	31/07/2015	31/12/2015	30/12/2016	29/12/2017
<b>Total net asset value in EUR</b>	<b>669,302,806.95</b>	<b>366,869,006.30</b>	<b>282,120,884.34</b>	<b>220,429,311.59</b>	<b>284,689,833.06</b>
<b>Axiom Obligataire J</b>					
Net asset value in EUR				15,906,498.84	19,420,909.22
Number of shares				15,000.0000	16,817.9411
Net asset value per share in EUR				1,060.43	1,154.77
Accumulation of net capital gains and losses per share in EUR				-7.51	13.20
Accumulation of profit per share in EUR				26.07	30.16
<b>Axiom Obligataire C</b>					
Net asset value in EUR	529,519,985.84	298,386,040.50	168,478,369.92	168,478,369.92	164,357,211.23
Number of shares	288,428.5335	167,173.2450	126,117.3058	93,967.0272	84,323.1471
Net asset value per share in EUR	1,835.87	1,784.89	1,777.88	1,792.95	1,949.13
Accumulation of net capital gains and losses per share in EUR	118.14	-102.47	-25.57	83.51	22.34
Accumulation of profit per share in EUR	-5.76	63.75	34.25	72.73	47.63
<b>Axiom Obligataire Z</b>					
Net asset value in EUR		9,036.00	2,472,035.26	1,315,553.63	2,478,447.24
Number of shares		5.0000	1,362.0956	704.9356	1,191.9356
Net asset value per share in EUR		1,807.20	1,814.87	1,866.20	2,079.34
Accumulation of net capital gains and losses per share in EUR		0.38	-26.02	85.15	23.90
Accumulation of profit per share in EUR		6.63	49.58	109.48	99.24
<b>Axiom Obligataire BC</b>					
Net asset value in EUR	43,349,190.71	23,338,533.71	18,417,226.73	6,460,174.30	7,103,757.83
Number of shares	23,705.5418	13,072.6533	10,333.8657	3,567.7540	3,542.7857
Net asset value per share in EUR	1,828.65	1,785.29	1,782.22	1,810.71	2,005.13
Accumulation of net capital gains and losses per share in EUR	38.33	218.36	58.61	67.41	-112.64
Accumulation of profit per share in EUR	-40.81	54.65	31.11	65.97	38.33

\* The tax credit per share shall only be determined on the distribution date, pursuant to applicable tax laws.

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

	31/07/2014	31/07/2015	31/12/2015	30/12/2016	29/12/2017
<b>Total net asset value in EUR</b>	<b>669,302,806.95</b>	<b>366,869,006.30</b>	<b>282,120,884.34</b>	<b>220,429,311.59</b>	<b>284,689,833.06</b>
<b>Axiom Obligataire G</b>					
Net asset value in EUR					35,817,797.86
Number of shares					34,570.9907
Net asset value per share in EUR					1,036.06
Accumulation of net capital gains and losses per share in EUR					19.14
Accumulation of profit per share in EUR					19.49
<b>Axiom Obligataire I</b>					
Net asset value in EUR				3,196,798.77	27,438,626.17
Number of shares				3,000.0000	23,727.0037
Net asset value per share in EUR				1,065.59	1,156.43
Accumulation of net capital gains and losses per share in EUR				0.44	13.21
Accumulation of profit per share in EUR				29.59	26.43
<b>Axiom Obligataire E</b>					
Net asset value in EUR	247,499.54	191,851.19	184,468.67	242,745.52	358,576.35
Number of shares	135.0000	107.0000	103.0000	134.0000	181.0000
Net asset value per share in EUR	1,833.32	1,793.00	1,790.95	1,811.53	1,981.08
Accumulation of net capital gains and losses per share in EUR	236.58	69.87	54.39	-305.67	-45.35
Accumulation of profit per share in EUR	54.41	85.17	47.70	89.29	48.35
<b>Axiom Obligataire M</b>					
Net asset value in EUR	6,536,779.77	4,423,909.24	4,060,578.46	2,570,444.71	2,156,171.40
Number of shares	3,678.5508	2,577.7597	2,383.8185	1,502.0245	1,158.0245
Net asset value per share in EUR	1,776.99	1,716.18	1,703.39	1,711.32	1,861.93
Accumulation of net capital gains and losses per share in EUR	88.31	123.79	-70.98	53.81	-105.36
Accumulation of profit per share in EUR	-24.99	55.62	30.31	63.77	49.83

\* The tax credit per share shall only be determined on the distribution date, pursuant to applicable tax laws.

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

	31/07/2014	31/07/2015	31/12/2015	30/12/2016	29/12/2017
<b>Total net asset value in EUR</b>	<b>669,302,806.95</b>	<b>366,869,006.30</b>	<b>282,120,884.34</b>	<b>220,429,311.59</b>	<b>284,689,833.06</b>
<b>Axiom Obligataire R</b>					
Net asset value in EUR	87,313,522.90	32,919,585.56	25,608,519.83	16,411,497.17	21,243,494.77
Number of shares	50,098.4756	19,524.8131	15,280.5300	9,754.8005	11,668.0654
Net asset value per share in EUR	1,742.83	1,686.03	1,675.89	1,682.40	1,820.65
Accumulation of net capital gains and losses per share in EUR	124.40	-97.12	-24.15	78.77	20.82
Accumulation of profit per share in EUR	-14.87	51.98	28.80	61.03	38.04
<b>Axiom Obligataire D</b>					
Net asset value in EUR	14,385,748.06	9,993,623.66	8,879,638.91	6,313,572.47	5,770,885.56
Number of shares	8,438.0976	6,029.1848	5,577.7042	4,015.5093	3,508.4701
Net asset value per share in EUR	1,704.85	1,657.54	1,591.98	1,572.29	1,644.84
Accumulation of net capital gains and losses per share in EUR	100.03	-95.16	-23.88	75.10	18.25
Accumulation of profit per share in EUR	-22.51				
Distribution of profit per share in EUR		59.23	31.61	64.31	42.14
Retained earnings per share in EUR					
Tax credit per share in EUR					*

\* The tax credit per share shall only be determined on the distribution date, pursuant to applicable tax laws.

• **INVENTORY in EUR**

Name of the security	Currency	Qty, number or nominal value	Current value	% of net assets
<b>Equities and similar securities</b>				
<b>Equities and similar securities traded on a regulated or similar market</b>				
<b>SPAIN</b>				
SANTANDER FINANCE 6.41% PREFERRED SA UNIPERSON	USD	53,120	1,137,735.91	0.40
<b>TOTAL SPAIN</b>			<b>1,137,735.91</b>	<b>0.40</b>
<b>LUXEMBOURG</b>				
AXIOM EUR FIN DEBT FD GBP	GBP	9,492,757	11,149,832.08	3.91
<b>TOTAL LUXEMBOURG</b>			<b>11,149,832.08</b>	<b>3.91</b>
<b>UNITED KINGDOM</b>				
HSBC HOLDINGS PLC ADR	USD	27,651	594,560.98	0.21
RBS SP ADR PFD-S	USD	112,740	2,389,434.54	0.84
<b>TOTAL UNITED KINGDOM</b>			<b>2,983,995.52</b>	<b>1.05</b>
<b>TOTAL Equities and similar securities traded on a regulated or similar market</b>			<b>15,271,563.51</b>	<b>5.36</b>
<b>TOTAL Equities and similar securities</b>			<b>15,271,563.51</b>	<b>5.36</b>
<b>Bonds and similar securities</b>				
<b>Bonds and similar securities traded on a regulated or similar market</b>				
<b>GERMANY</b>				
ALLIANZ 5.5% PERP.	USD	4,600,000	3,967,497.87	1.39
CAPITAL FUNDING GMBH E12R PERP	EUR	2,948,900	2,996,474.93	1.05
DEUT P CMS10R+0.025% 31-12-99	EUR	3,300,000	2,925,138.88	1.03
DEUTCHH POST 6% 23/12/2099	EUR	362,000	369,815.63	0.13
DEUTSCHE PFANDBRIEFBANK AG 2.875% 28-06-27	EUR	1,600,000	1,647,563.18	0.58
DEUTSCHE PFANDBRIEFBANK AG 4.6% 22-02-27	EUR	1,900,000	2,213,155.40	0.78
FURSTENBERG 5.625% PERPETUAL	EUR	4,000,000	3,804,600.00	1.34
<b>TOTAL GERMANY</b>			<b>17,924,245.89</b>	<b>6.30</b>
<b>AUSTRIA</b>				
ERSTE GROUP BANK AG 6.5% PERP	EUR	2,000,000	2,353,111.43	0.83
RAIFFEISEN BANK INTERNATIONAL AG 6.125% PERP	EUR	1,600,000	1,739,947.38	0.61
<b>TOTAL AUSTRIA</b>			<b>4,093,058.81</b>	<b>1.44</b>
<b>BELGIUM</b>				
ETHIAS VIE 5.0% 14-01-26	EUR	2,000,000	2,410,826.30	0.85
FORTIS BK TV07-191272 CV	EUR	9,250,000	7,956,075.31	2.79
<b>TOTAL BELGIUM</b>			<b>10,366,901.61</b>	<b>3.64</b>
<b>BERMUDA</b>				
CATLIN INSURANCE CO LTD L3RUSD+2.975% PERP	USD	788,000	646,645.63	0.23
<b>TOTAL BERMUDA</b>			<b>646,645.63</b>	<b>0.23</b>
<b>DENMARK</b>				
DANSKE BANK AS 6.125% HYB FIX/VAR PERP	USD	1,000,000	902,984.00	0.31
JYSKE BANK DNK 4.75% PERP	EUR	700,000	729,537.49	0.26
SAXO BANK 9.75% PERP	EUR	500,000	555,396.47	0.20
<b>TOTAL DENMARK</b>			<b>2,187,917.96</b>	<b>0.77</b>
<b>SPAIN</b>				
BANC P E3R+3.6% 22-12-19	EUR	1,600,000	66,960.00	0.02
BANCO BILBAO VIZCAYA ARGENTARIA SA 5.875% PERP	EUR	600,000	655,539.52	0.23

Name of the security	Currency	Qty, number or nominal value	Current value	% of net assets
BANCO DE CREDITO SOCIAL 7.75% 07-06-27	EUR	2,000,000	2,052,678.08	0.72
BANCO POPULAR ESPANOL 8.25% 19/10/2021	EUR	2,080,000	197,600.00	0.07
BANCO SANTANDER SA 5.25% PERP	EUR	2,600,000	2,748,977.83	0.97
BANKIA SA 6.0% PERP	EUR	1,400,000	1,487,590.09	0.52
BBVA 7% PERP	EUR	3,000,000	3,188,549.35	1.11
BCO SANT CENT HIS 6.25% PERP	EUR	900,000	991,982.75	0.35
CAIXABANK SA 2.75% 14-07-28	EUR	1,800,000	1,857,733.64	0.65
CAIXABANK SA 6.75% PERP	EUR	1,000,000	1,116,967.50	0.39
CAIXASABADELL PREFERENTS SA E3R+1.95% PERP	EUR	2,400,000	2,156,765.40	0.76
POPSM 8 07/29/21	EUR	2,873,000	272,935.00	0.10
SANT PERP E3R+1.6% PERP	EUR	1,000,000	933,944.58	0.33
SCH FINANCE SA PREF	USD	39,060	839,881.08	0.30
<b>TOTAL SPAIN</b>			<b>18,568,104.82</b>	<b>6.52</b>
<b>UNITED STATES OF AMERICA</b>				
CITIGROUP CAPITAL XIII L3RUSD+6.37% 30-10-40	USD	135,427	3,099,212.16	1.10
DEUT BANK CAPI F OTHER V PERP	EUR	2,500,000	2,296,123.97	0.81
DEUT POST CMS10R+0.125% PERP	EUR	715,000	640,211.08	0.22
DEUTSCHE BANK CAP 8% 15/05/2018	EUR	2,500,000	2,696,496.23	0.95
DZ BANK CAPITAL FUND II E3R	EUR	1,133,000	1,124,097.83	0.39
DZ BANK CAPITAL FUNDING TV PERP	EUR	290,000	292,631.92	0.10
GOLDMAN SACHS CAPITAL II L3RUSD+0.7675% PERP	USD	922,000	685,063.10	0.24
HVB FUND TRUS 8.741% 30-06-31	USD	710,000	763,287.50	0.27
ILFC ECAPITAL TRUST OTHER V+1.55% 21-12-65	USD	3,130,000	2,519,478.11	0.88
ILFC ECAPITAL TRUST II OTHER V+1.8% 21-12-65	USD	2,260,000	1,838,166.58	0.65
JPM CHASE L3RUSD+0.95% 30-09-34	USD	2,000,000	1,554,358.99	0.55
JPM CHASE L3RUSD+1.0% 15-05-47	USD	1,000,000	751,372.63	0.26
SUNTRUST PREFERRED CAPITAL I L3RUSD+0.645% PERP	USD	1,000,000	762,017.91	0.27
USB REALTY CORP L3RUSD+1.14% 17-10-49	USD	4,000,000	3,025,262.19	1.06
Wa LIBORUSD 3 M_MIN 5.57%15/03/2049	USD	1,000,000	839,706.63	0.29
<b>TOTAL UNITED STATES OF AMERICA</b>			<b>22,887,486.83</b>	<b>8.04</b>
<b>FRANCE</b>				
ACAFP 7 7/8 01/29/49	USD	800,000	757,020.32	0.27
AXASA 5 1/2 07/22/49	USD	3,000,000	2,634,261.88	0.93
BFCM EUAR10+0.1% PERP EMTN	EUR	700,000	623,645.63	0.22
BFCM TV PERP SUB	EUR	4,550,000	4,024,893.60	1.41
BNP PARIB 4.875% PERP *EUR	EUR	11,805,000	12,439,492.88	4.37
BNP PARIBAS FIX PERP	EUR	1,000,000	1,160,030.58	0.41
BNP PARIBAS 7.781% PERP EMTN	EUR	1,750,000	1,889,751.40	0.66
CNP TSDI TV05-PERP	EUR	1,904,000	1,969,493.00	0.69
CRED AGRICOLE 8.20%PERP	EUR	2,150,000	2,328,030.31	0.82
CREDIT LOGEMENT 3-MONTH EURIBOR REV +1.15 31/12/2099	EUR	2,900,000	2,674,987.55	0.94
CREDIT LOGEMENT 1.35% 28-11-29	EUR	3,500,000	3,506,130.27	1.23
NATEXIS BP 1YR PERP	EUR	3,400,000	3,572,379.07	1.25
SOCIETE GENERALE 8.0% PERP	USD	3,650,000	3,606,803.33	1.27
<b>TOTAL FRANCE</b>			<b>41,186,919.82</b>	<b>14.47</b>
<b>HONG KONG</b>				
THE HONGKONG SHANGAI BANKING CO L3RUSD+0.1875% PERP	USD	8,270,000	6,125,839.20	2.15
<b>TOTAL HONG KONG</b>			<b>6,125,839.20</b>	<b>2.15</b>

Name of the security	Currency	Qty, number or nominal value	Current value	% of net assets
<b>HUNGARY</b>				
OTP BANK PLC E3R+3.0% PERP	EUR	4,248,000	4,143,367.87	1.46
<b>TOTAL HUNGARY</b>			<b>4,143,367.87</b>	<b>1.46</b>
<b>CAYMAN ISLANDS</b>				
BA-CA FINANCE CAYMAN TV PERP - CALL: 22/03/12	EUR	2,300,000	2,095,009.88	0.74
SANTANDER FIN 5.75% 2049	EUR	900,000	946,236.38	0.33
<b>TOTAL CAYMAN ISLANDS</b>			<b>3,041,246.26</b>	<b>1.07</b>
<b>ITALY</b>				
BANCA FARMAFACTORING 5.875% 02-03-27	EUR	600,000	649,400.63	0.23
CATTOLICA DI ASSICURAZIONI 4.25% 14-12-47	EUR	2,000,000	2,056,397.53	0.72
INTE 5.71% 15-01-26	USD	1,600,000	1,444,259.39	0.51
INTESA SAN TF/TV 20/06/2018	EUR	1,000,000	1,079,631.75	0.38
INTESA SAN 7.0% PERP EMTN	EUR	3,000,000	3,421,759.57	1.21
INTESA SANPAOLO 7.75% PERP	EUR	1,000,000	1,256,125.22	0.44
UBI BANCA UNIONE DI BANCHE ITALIANE 4.45% 15-09-27	EUR	1,000,000	1,057,120.96	0.37
UNICREDIT SPA FIX PERP	EUR	500,000	610,708.87	0.21
UNICREDIT SPA 6.625% PERP	EUR	1,600,000	1,750,042.74	0.61
UNICREDIT SPA 6.75% PERP	EUR	900,000	992,388.03	0.35
<b>TOTAL ITALY</b>			<b>14,317,834.69</b>	<b>5.03</b>
<b>JERSEY</b>				
HYBRID CAPITAL FUNDING I.L.P. 8% PERP.	USD	5,981,000	644,396.97	0.23
MAIN CAPI FUN 5.75% 31-12-99	EUR	2,800,000	2,995,884.93	1.05
MAIN CAPITAL FUNDING LIMITED PARTNERSHIP 5.5% 31/12/2049	EUR	1,319,000	1,408,161.87	0.49
<b>TOTAL JERSEY</b>			<b>5,048,443.77</b>	<b>1.77</b>
<b>LUXEMBOURG</b>				
AGEASFINLUX SA E3M 12/99 CV	EUR	1,000,000	638,964.44	0.22
BANK OF NEW YORK LUX E3R 15/12/2050	EUR	5,200,000	3,617,276.00	1.27
DEXIA FUNDING 4.892% PERP	EUR	5,000,000	453,325.00	0.16
ESPIRITO SANTO 3.125% 12/18 CV IN DEFAULT	EUR	4,600,000	33,327.00	0.01
ESPIRITO SANTO 9.75% 19/12/2025 IN DEFAULT	EUR	4,432,000	66,923.20	0.02
SUNTRUST CAPITAL MARKETS NY L3RUSD+0.67% 15-05-27	USD	500,000	388,886.19	0.14
UNICREDIT INTL 8.125% 10/12/49	EUR	500,000	587,569.38	0.21
<b>TOTAL LUXEMBOURG</b>			<b>5,786,271.21</b>	<b>2.03</b>
<b>NETHERLANDS</b>				
ACHMEA BV 6% PERP *EUR	EUR	2,400,000	2,565,110.79	0.90
AEGON NV 5.185% PERP.	EUR	1,200,000	466,203.73	0.16
AEGON 6.375% 31-12-99	USD	22,081	474,792.99	0.17
ASR NEDERLAND NV 10.0% PERP	EUR	1,000,000	1,199,764.11	0.42
ASR NEDERLAND NV 4.625% PERP	EUR	2,200,000	2,357,226.51	0.83
DELT LLOY NV 4.375% 31-12-99	EUR	2,001,000	2,288,807.94	0.80
ING GROEP NV 6.375% 31-12-99	USD	494,795	10,589,799.72	3.72
NIBC BANK NV 6.0% PERP	EUR	750,000	791,025.62	0.28
SNS REAAL GROEP NV E3R	EUR	2,268,000		
STICH AK RABOBK 6,5%13-PERP.	EUR	3,030,000	3,762,751.63	1.32
VIVAT NV 6.25% PERP	USD	2,400,000	2,022,191.31	0.71
<b>TOTAL NETHERLANDS</b>			<b>26,517,674.35</b>	<b>9.31</b>
<b>PORTUGAL</b>				
BANCO ESPIRITO SANTO SA 7.125% 28/11/2023	EUR	4,800,000	36,000.00	0.01

Name of the security	Currency	Qty, number or nominal value	Current value	% of net assets
BCP 4.5% 07-12-27 EMTN	EUR	1,600,000	1,606,942.03	0.57
<b>TOTAL PORTUGAL</b>			<b>1,642,942.03</b>	<b>0.58</b>
<b>UNITED KINGDOM</b>				
ABBEY NATI TF/TV PERP	USD	720,000	832,120.40	0.29
AVIVA PLC 6.125%PERP	GBP	1,690,000	2,223,644.35	0.78
BARCL LOND TF/TV PERP PF *USD	USD	1,000,000	970,210.69	0.34
BARCLAYS PLC 6.5% 31-12-99	EUR	1,500,000	1,611,360.00	0.57
BARCLAYS PLC 7.125% PERP	GBP	500,000	618,751.14	0.22
BARCLAYS TF/TV PERPETUAL	GBP	1,000,000	1,412,312.79	0.50
BARCLAYS 7.875% PERP	GBP	1,600,000	2,017,797.56	0.71
COVE BUIL SOC 6.375% 31-12-99	GBP	1,650,000	1,959,691.44	0.69
DIRECT LINE INSURANCE PLC 4.75% PERP	GBP	650,000	741,316.60	0.26
DRESDNER FNDG TRUST I 8.151% 30/06/2031	USD	5,795,000	6,402,342.11	2.25
HBOS CAPITAL FUNDING LP	USD	4,100,000	3,517,207.19	1.24
HSBC HOLDINGS PLC 4.75% PERP	EUR	500,000	543,265.46	0.19
HSBC HOLDINGS PLC 6.0% PERP CV	USD	1,800,000	1,585,947.70	0.56
IPFLN 5.75% 04/07/2021	EUR	1,100,000	1,087,879.96	0.38
LLOY BANK GRO 6.413% 31-01-49	USD	3,150,000	3,072,060.00	1.08
LLOYDS BANKING GROUP PLC TF/TV PERP	USD	500,000	490,380.90	0.17
LLOYDS TSB TV PERP SERIE B	GBP	2,150,000	4,693,138.40	1.65
NATIONWIDE BUILDING SOCIETY 10.25% 31-12-99	GBP	10,000	1,777,189.56	0.62
PRUDENTIAL PLC	USD	7,712,000	6,620,405.05	2.33
RBS GROUP TF/TV PERP *USD	USD	1,530,000	1,691,342.29	0.59
ROYAL AND SUN ALLIANCE INSURANCE GROUP P STIB3R+5.25% PERP	SEK	18,000,000	1,938,706.96	0.68
ROYAL BK SCOTLAND 5.5% PERP	EUR	4,700,000	4,767,847.11	1.67
STAN CHAR PLC 6.5% PERP	USD	1,000,000	867,005.80	0.30
STAN CHAR 5.375% PERP EMTN	GBP	1,336,000	1,654,307.14	0.58
STANDARD CHARTERED PLC 7.75% PERP	USD	1,200,000	1,115,126.86	0.39
STANDARD LIFE PLC 6.546% PERP	GBP	1,000,000	1,306,913.73	0.46
<b>TOTAL UNITED KINGDOM</b>			<b>55,518,271.19</b>	<b>19.50</b>
<b>SWEDEN</b>				
NORDEA BANK AB PUBL 3.5% PERP	EUR	700,000	706,336.44	0.25
NORDEA BANK TV04-PERP.	EUR	1,770,000	1,659,107.29	0.58
<b>TOTAL SWEDEN</b>			<b>2,365,443.73</b>	<b>0.83</b>
<b>SWITZERLAND</b>				
CS 7 1/2 12/11/49	USD	1,250,000	1,195,695.93	0.42
<b>TOTAL SWITZERLAND</b>			<b>1,195,695.93</b>	<b>0.42</b>
<b>TOTAL Bonds and similar securities traded on a regulated or similar market</b>			<b>243,564,311.60</b>	<b>85.56</b>
<b>TOTAL Bonds and similar securities</b>			<b>243,564,311.60</b>	<b>85.56</b>
<b>Collective investment undertakings</b>				
<b>General-purpose UCITS and AIFs intended for retail investors, and foreign equivalents</b>				
<b>FRANCE</b>				
AXIOM CONTINGENT CAPITAL R	EUR	100	119,654.00	0.04
Axiom Equity C	EUR	2,859.5899	2,860,219.01	1.01
AXIOM OPTIMAL FIX C EUR	EUR	475	525,402.25	0.18
GROUPAMA AXIOM LEGACY 21 - Class L	EUR	200	206,984.00	0.07
GROUPAMA AXIOM LEGACY 21 - Class N	EUR	200	206,880.00	0.07

Name of the security	Currency	Qty, number or nominal value	Current value	% of net assets
GROUPAMA AXIOM LEGACY 21 U	GBP	100	113,610.21	0.04
Premium Multi Stratégies D	EUR	2,155	2,595,029.45	0.92
<b>TOTAL FRANCE</b>			<b>6,627,778.92</b>	<b>2.33</b>
<b>TOTAL General-purpose UCITS and AIFs intended for retail investors, and foreign equivalents</b>			<b>6,627,778.92</b>	<b>2.33</b>
<b>TOTAL Collective investment undertakings</b>			<b>6,627,778.92</b>	<b>2.33</b>
<b>Financial derivatives</b>				
<b>Exposure to futures/forwards</b>				
<b>Exposure to futures (regulated or similar market)</b>				
EUR DJE 600 BAN 0318	EUR	-200	36,000.00	0.01
LIFFE LG GILT 0318	GBP	-50	-45,626.09	-0.02
TY CBOT YST 1 0318	USD	-120	78,853.68	0.03
XEUR FGBL BUN 0318	EUR	-20	27,400.00	0.01
<b>TOTAL Exposure to futures (regulated market)</b>			<b>96,627.59</b>	<b>0.03</b>
<b>TOTAL Exposure to futures/forwards</b>			<b>96,627.59</b>	<b>0.03</b>
<b>Exposure to options</b>				
<b>Exposure to OTC options</b>				
SNRFIN CDSI S28 5Y C 12/2022 PUT 65				
<b>TOTAL Exposure to OTC options</b>	EUR	40,000,000	676.00	
<b>TOTAL Exposure to options</b>			<b>676.00</b>	
			<b>676.00</b>	
<b>Other financial derivatives</b>				
<b>Credit default swaps</b>				
CABKSM CDS EUR SR 2Y D14	EUR	5,000,000	38,785.89	0.01
CDS MEDIOBANCA	EUR	7,000,000	66,728.04	0.03
<b>TOTAL Credit Default Swaps</b>			<b>105,513.93</b>	<b>0.04</b>
<b>TOTAL Other financial derivatives</b>			<b>105,513.93</b>	<b>0.04</b>
<b>TOTAL Financial derivatives</b>			<b>202,817.52</b>	<b>0.07</b>
<b>Margin calls</b>				
C.A.Indo margin calls in GBP	GBP	40,500	45,626.09	0.02
C.A.Indo margin calls in USD	USD	-94,685.46	-78,851.98	-0.03
C.A.Indo margin calls in EUR	EUR	-63,400	-63,400.00	-0.02
<b>TOTAL Margin calls</b>			<b>-96,625.89</b>	<b>-0.03</b>
<b>Receivables</b>			<b>137,617,657.12</b>	<b>48.34</b>
<b>Payables</b>			<b>-138,232,888.82</b>	<b>-48.56</b>
<b>Financial assets/liabilities</b>			<b>19,735,219.10</b>	<b>6.93</b>
<b>Net assets</b>			<b>284,689,833.06</b>	<b>100.00</b>

<b>Axiom Obligataire E</b>	<b>GBP</b>	<b>181.0000</b>	<b>1,981.08</b>
<b>Axiom Obligataire M</b>	<b>CHF</b>	<b>1,158.0245</b>	<b>1,861.93</b>
<b>Axiom Obligataire J</b>	<b>EUR</b>	<b>16,817.9411</b>	<b>1,154.77</b>
<b>Axiom Obligataire D</b>	<b>EUR</b>	<b>3,508.4701</b>	<b>1,644.84</b>
<b>Axiom Obligataire BC</b>	<b>USD</b>	<b>3,542.7857</b>	<b>2,005.13</b>
<b>Axiom Obligataire R</b>	<b>EUR</b>	<b>11,668.0654</b>	<b>1,820.65</b>
<b>Axiom Obligataire Z</b>	<b>EUR</b>	<b>1,191.9356</b>	<b>2,079.34</b>
<b>Axiom Obligataire G</b>	<b>EUR</b>	<b>34,570.9907</b>	<b>1,036.06</b>
<b>Axiom Obligataire C</b>	<b>EUR</b>	<b>84,323.1471</b>	<b>1,949.13</b>
<b>Axiom Obligataire I</b>	<b>EUR</b>	<b>23,727.0037</b>	<b>1,156.43</b>

- **ADDITIONAL INFORMATION ON THE TAX TREATMENT APPLICABLE TO COUPONS**

BREAKDOWN OF COUPON

	<b>TOTAL NET AMOUNT</b>	<b>CURRENCY</b>	<b>NET AMOUNT PER SHARE</b>	<b>CURRENCY</b>
Income subject to mandatory withholding tax that does not fully discharge the taxpayer's tax liability	119,007.31	EUR	33.92	EUR
Shares entitling their holders to a reduction and subject to mandatory withholding tax that does not fully discharge the taxpayer's tax liability	28,839.62	EUR	8.22	EUR
Other income that does not give right to a reduction and that is subject to mandatory withholding tax that does not fully discharge the taxpayer's tax liability				
Non-declarable and non-taxable income				
Distributed capital gains and losses				
<b>TOTAL</b>	<b>147,846.93</b>	<b>EUR</b>	<b>42.14</b>	<b>EUR</b>