

# **TreeTop Convertible SICAV**

Investment Company with Variable Capital with multiple Sub-Funds

governed by Luxembourg Law

Audited Annual Report  
As at December 31st, 2016

R.C.S. Luxembourg B 27.709

The subscriptions can only be accepted on the basis of the current prospectus including the identification sheets of each Sub-Fund and on the basis of the key investor information document ("Key Information"). The last annual report as well as any subsequent semi-annual report are available on the registered office of the SICAV and of the Management Company.



# TreeTop Convertible SICAV

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# TreeTop Convertible SICAV

## Organization

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### **Registered Office :**

12, rue Eugène Ruppert, L-2453 Luxembourg

### **Date of Constitution :**

31 March 1988

### **Board of Directors :**

#### **Chairman :**

- Mr Jacques Berghmans, Chairman of the Board of Directors and Manager, TreeTop Asset Management S.A., Luxembourg

#### **Directors:**

- Mr François Maissin, Head of Risk and Operations, TreeTop Asset Management S.A., Luxembourg
- Mr Hubert d'Ansembourg, Administrator, TreeTop Asset Management S.A., Luxembourg
- Mr John Pauly, Managing Director, Banque Degroof Petercam Luxembourg S.A., Luxembourg (\*)
- Monsieur André Birget, Chief Investment Officer, Groupe Foyer, Luxembourg

### **Management Company:**

TreeTop Asset Management S.A.  
12, rue Eugène Ruppert, L-2453 Luxembourg

### **Depository Bank, Domiciliary, Administrative and Transfer Agent, Depository of Bearer shares :**

Banque Degroof Petercam Luxembourg S.A. (\*)  
12, rue Eugène Ruppert, L-2453 Luxembourg

### **Auditor :**

PricewaterhouseCoopers, Société coopérative  
2, rue Gerhard Mercator, BP 1443, L-1014 Luxembourg

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(\*) Cf Note 12

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## Organization (continued)

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### **Agent in charge of Financial Services in Belgium :**

Banque Degroof Petercam S.A.  
44, rue de l'Industrie, B-1040 Bruxelles

### **Agent in charge of Financial Services in Spain :**

Bank Degroof Petercam Spain S.A.  
464, Av. Diagonal, E-08006 Barcelone

### **Agent in charge of Financial Services in France :**

Caceis Bank  
1-3, Place Valhubert, F-75013 Paris

### **Agent in charge of Financial Services in the UK :**

TreeTop Asset Management L.L.P.  
33, Saint James's Square, GB-Londres SW1Y 4JS

Only the French version of the present Annual Report has been reviewed by the auditors. Consequently, the auditor's report only refers to the French version of the Annual Report; other versions result from a conscientious translation made under the responsibility of the Board of Directors. In case of differences between the French version and the translation, the French version should be retained.

# TreeTop Convertible SICAV

## General Information of the Fund

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TreeTop Convertible SICAV (the "SICAV") was registered as an Open Ended Investment Company ("SICAV") under Luxembourg law on March 31<sup>st</sup>, 1988 for an unlimited period under the name of "Star Convertible Fund". The name of the SICAV has been changed in "TreeTop Convertible SICAV" after an Extraordinary General Meeting of the shareholders. Today it is regulated by part I of the law dated December 17<sup>th</sup>, 2010, as amended.

TreeTop Convertible SICAV articles of association are kept at the Registered Office of the SICAV and with the registrar of the Tribunal d'Arrondissement in Luxembourg where anyone can consult them or take a copy.

Semi-annual and annual reports can be obtained and from the institutions responsible for financial service, at the Registered Office of the SICAV and Management Company. The net asset value, the issue price and the redemption price, as well as all the instructions intended for the shareholders, are available at the Registered Office of the SICAV and of the Management Company.

TreeTop Convertible SICAV, denominated in EUR, is registered as an umbrella fund SICAV. At the date of this report, the sole Sub-Funds operational is TreeTop Convertible International.

The Sub-Fund comprises the following share categories, which can be distinguished by their hedging exchange risk policies linked to the investments' currency, their distribution policy and/or by their initial minimum investment :

- Class A : EUR shares (capitalisation) ;
- Class B : USD shares (capitalisation) ;
- Class C : GBP shares (distribution) ;
- Class D : EUR shares (distribution) ;
- Class I : EUR shares (capitalisation) reserved to professionals (inactive).

The net asset value is determined on a daily basis, on each business day in Luxembourg.

The net asset value is calculated on the basis of the last known quoted value on the markets where the investments held in portfolio are mainly traded.

The SICAV publishes an audited annual report closed on the last day of the financial year, , as well as a non-audited semi-annual report closed on the last day of the sixth month of the financial year.

# TreeTop Convertible SICAV

## Board of Directors' Report

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### 1. Economic and market environment

After a very rough start, the 2016 stock market year ended on a positive note, due in part to the depreciation of the euro, especially in the United States and Japan. And this, in spite of the many uncertainties and above all certain completely unexpected political and economic events (the Brexit, the election of Donald Trump, the Italian referendum, the rising power of Vladimir Putin ridiculing the UN on the international scene...) whose impact has finally turned out to be neutral or even positive, contrary to all expectations... To think that the markets are no longer afraid of "black swans" (statistically highly unlikely events)! However it's not the first time that stock markets, which generally abhor uncertainty, have reacted better than expected to what seems à priori to be bad news...

In short, investors' usual benchmarks are sorely lacking, especially given that the geopolitical concerns are far from over, and generating further concern.

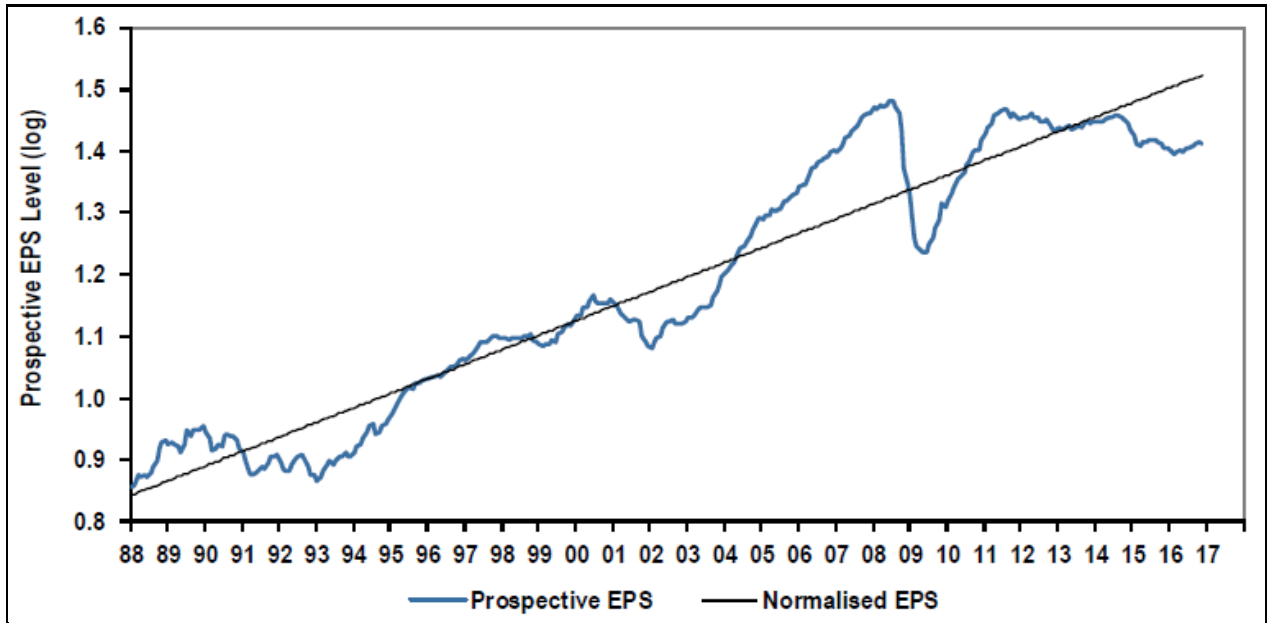
In such an atmosphere, we believe that the best strategy is not to be overcautious, but rather clear and resolute, based on past experience and common sense. Investors too often forget that "remaining static" or "doing nothing" (faced with savings currently registering a negative real return) is also a risk...

- Economic events (and corporate earnings in particular) have a more significant impact on the medium-term direction of equities than political events. The latter while presently particularly opaque, are yet another reason to abstain, like Warren Buffett, from constructing pointless scenarios that are more dangerous than useful in terms of decision making... And on the economic and financial front, we are quite reassured: the global recovery of corporate profits continues, after five years of decline.

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## Board of Directors' Report

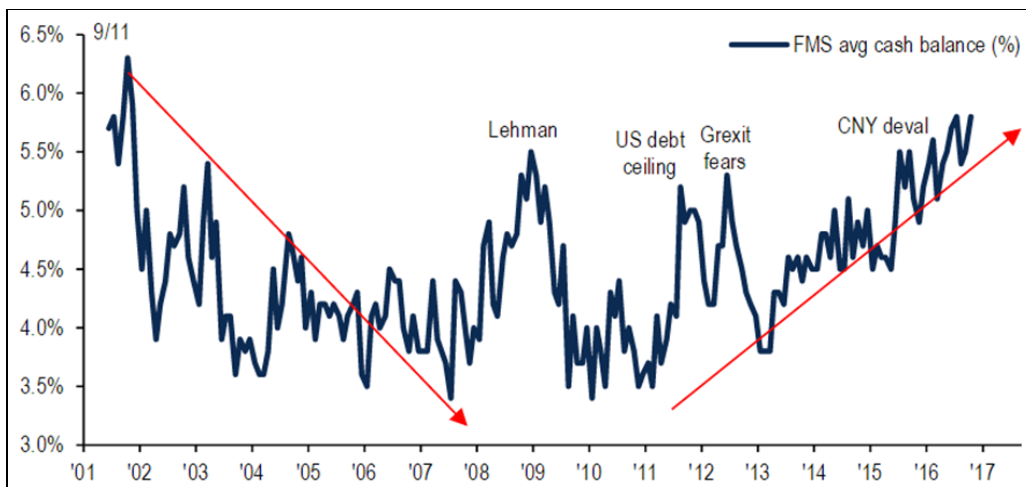
### EVOLUTION OF EARNINGS PER SHARE WORLDWIDE



Source: BofA Merrill Lynch Global Quantitative Strategy, MSCI, IBES

- After a two-years **healthy pause in global stock markets**, the current recovery can be sustained by “dry powder”: **liquid assets maintained by fund managers** that are at the highest level in 15 years...

### PERCENTAGE OF CASH HELD BY FUND MANAGERS



Source: Bank of America Monthly Survey



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## Board of Directors' Report

- It has been proven that **equities offer the best long-term performance**, and are thus the “best protection” against the loss of purchasing power of invested capital, in contrast to bonds, which are deemed less “risky”. Recall that the latter lost two-thirds of their real value (after inflation) between 1945 and 1980, by presenting **the illusion of security** and a stable return (eroded by inflation, devaluations and bankruptcies...). The glory days of bonds (from 1980 to the present) were only due to the unprecedented drop in interest rates (from 16% to 1.4% for 10-year rates in USD) accompanied by a period of disinflation. The bond bubble will eventually burst, either suddenly with a rapid rate hike, or more gradually and insidiously by rising inflation and subsequently, for the duration of the current period, the amplification of negative real interest rates. The latter is in fact the only outcome (apart from restructuring or a very strong resumption of growth...) that can resolve the debt problem of Western countries, of which few seem to be concerned...

### RATE OF GOVERNMENT BONDS AT 10 YEARS IN USD (1962-2016)



*Source: Bloomberg*

- But the fundamental rule in equity markets, is to **diversify risk geographically and by sector**, which does not preclude a certain concentration wagered on strong convictions, as long as the major geographical areas and key sectors (about ten in total) are represented... Stock market history clearly demonstrates the importance of **investing globally**. A few illustrative examples of sustained periods of under- or outperformance of a geographical area follow:

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## Board of Directors' Report

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### 1. Highly negative contributions

- **Japan (1989-2016):** After peaking in 1989, Japan has still not recovered today from its stock market slump (declining 50% over 27 years, and even reaching 81% in 2003...).

### NIKKEI 225 INDEX (1970-2016)



Source: Bloomberg

The reasons are fairly simple: before its summit in 1989, the Japanese stock market experienced a spectacular frenzy (the “Japanese miracle”, an economic vengeance after the humiliating defeat of 1945), its value multiplying by 20 between 1970 and 1989. This was the era when the average price-earnings ratio was around 100, market capitalisation of the Tokyo Stock Exchange briefly exceeded that of the New York Stock Exchange, and the Tokyo Imperial Palace and its grounds were valued by some experts to be equivalent to all the real estate in California... One doesn’t have to be a genius to recognise that it was both a financial and real estate bubble. In this regard, we recall the humour of the late financial columnist Alfred Sluse: “whether a financial bubble is pierced with a cannon or with a pin, the end result for investors is the same...”

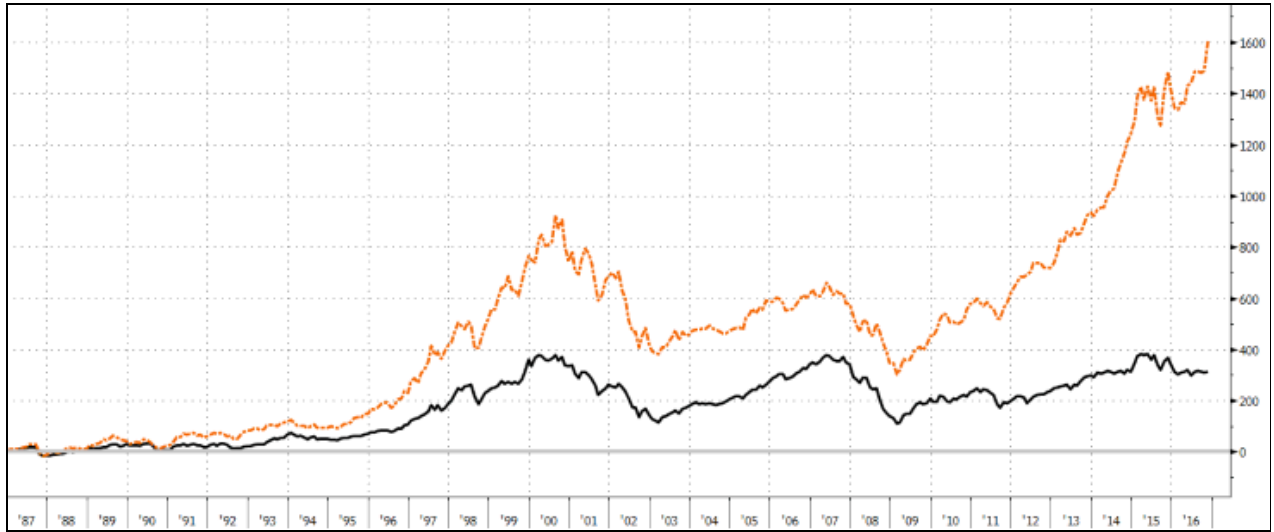
Afterwards, Japanese authorities tried to restart the economy through a series of fiscal and monetary policies, but they made one error after another, propelling the public debt to 229% of the GDP in 2015 (fuelled by a budget deficit that was still 6.7% last year). And yet they failed to increase (except slightly, and only very recently) corporate return on equity, the real crux of the problem, due to the obsolete structure of the *keiretsu*, gigantic conglomerates with little transparency, cross-shareholding and frequent conflicts of interest with minority shareholders.

- **Europe (1990-2016):** Despite also experiencing an economic miracle in the aftermath of World War II, Europe’s institutional rigidity, excessive regulation and resistance to change increasingly handicap it. The European index (excluding Great Britain) has clearly underperformed US stock indices for 25 years, with an average annual return of 5.03% against 10.00%...

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## Board of Directors' Report

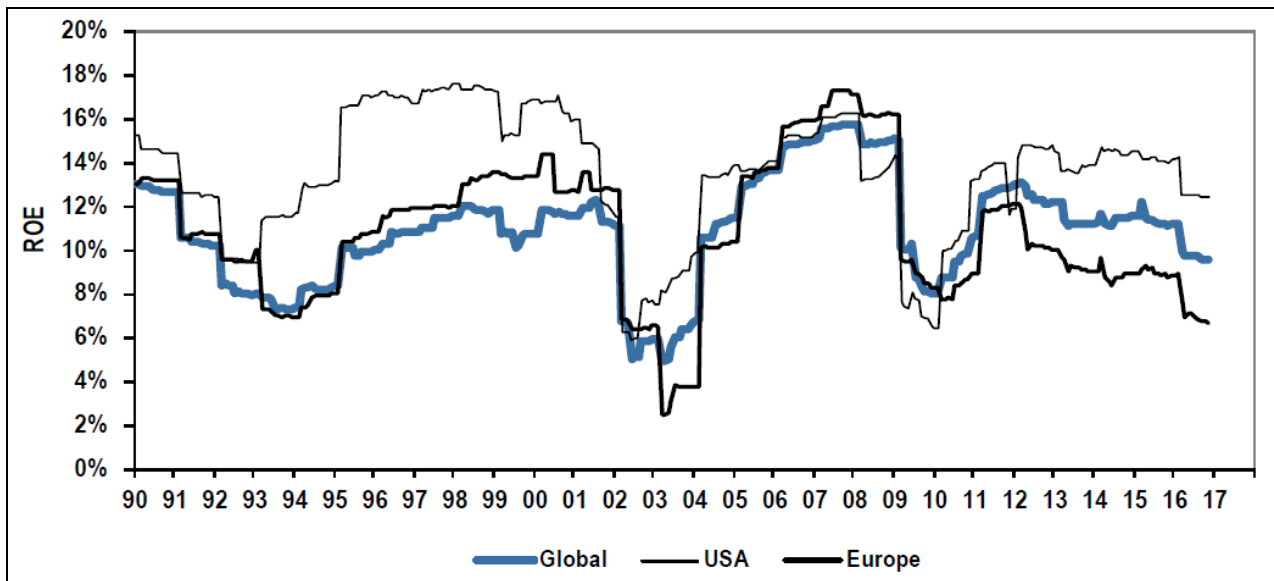
### EUROSTOXX 600 vs. SPX 500 INDICES (DIVIDENDS INCLUDED) IN EUR (1987-2016)



Source: Bloomberg

Disparities in economic growth and above all the growth of corporate profits between Europe and the United States explain this difference in performance, with the direct consequence of a sharp decline in the return on equity (ROE) of European companies.

### RETURN ON EQUITY (ROE): USA AND EUROPE VS. GLOBAL



Source: BofA Merrill Lynch Global Quant Strategy, MSCI, World Scope

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This phenomenon is disturbing and some are even suggesting a scenario in Europe similar to that of Japan. Fortunately the current dividend yield (4% gross, more than indexed in practice) makes European companies very attractive compared to bonds and savings accounts (which literally offer around 0%, or a negative return after inflation!), provided that growth returns...

- **Belgium (1900-2015):** Belgian investors and professional managers, especially in the past, have always tended to overweight the domestic markets in their portfolios, thinking “it is better to invest in what is close to home and in what we know well”... this was a terrible strategy: the Belgian stock market recorded, from 1900 to 2015 one of the worst performances of all the markets analysed by Crédit Suisse, in collaboration with economists from London and Cambridge (*Credit Suisse Global Investment Returns Yearbook 2016*). It only multiplied by 24 (after inflation) in 115 years, while the world average was a multiple of 300. The Brussels stock exchange remains a small market, highly sensitive to the enormous weighting of certain sectors (financial, catastrophic in 2007/2008) or value (InBev alone represents more than 40 % of the BEL20 index, so it is difficult to talk about diversification).
- **The technology sector (2000-2002):** despite the global success of Microsoft, Apple, Google, Amazon and Facebook, ranking in just a few years among the 20 largest companies worldwide, the US NASDAQ index, essentially representative of high-tech growth stocks (information technology, telecommunications, biotechnology...) also experienced a bubble in 2000, culminating in 5000 points with an average price-earnings ratio exceeding 100. The chute was 78% in 2.5 years and this index only returned to its former peak in 2015...

### NASDAQ INDEX (1990-2016)



Source: Bloomberg

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The problem? Completely unrealistic valuations in 2000 meant that the drop by 5 or 6 (from more than 100 to 25 or 20...) in price-earnings ratios was only compensated very late by the increase in profits, even in the case of solid companies that continued to accrue sustained growth in earnings. Not to mention the number of companies that went bankrupt, further impacting the subsequent performance of the index. Indeed it is interesting to note that the lifespan of companies (whether ending in bankruptcies or redemptions) has shrunk considerably over the last 50 years, going from 60 to 20 years in the case of the S&P 500 for example, making "prudence" a thing of the past...

### 2. Highly positive contributions

○ **The United States:** Champions of capitalism (we will come back to this often ambiguous term...) and free enterprise, American companies have almost always been one step ahead of the rest of the world in terms of innovation, return on equity and the ability to adapt to change. As the graph above demonstrates the average ROE in the USA has always been high (around 15). The long-term performance (1900-2015) of the American stock market is also well above average, according to the Crédit Suisse study.

#### REAL CUMULATIVE PERFORMANCE (AFTER INFLATION) OF SEVERAL STOCK MARKETS (1900-2015)

	Factor of Multiplication	Real Annual Return
South Africa	3547	7.3%
Australia	1948	6.7%
USA	1271	6.4%
Great Bretagne	445	5.4%
Europe	124	4.2%
Japan	118	4.2%
Belgium	24	2.8%
Austria	2	0.7%
World	<b>300</b>	<b>5.0%</b>

*Source: Elroy Dimson, Paul Marsh and Mike Staunton,*

*Credit Suisse Global Investment Returns Yearbook 2016*

- **Emerging countries:** Though catastrophic during certain previous periods (Russia and China during the communist nationalisations, hyperinflation in Latin America), the theme of emerging markets has become an unavoidable subject for two main reasons. First, their average growth is higher than that of developed countries and secondly, their middle classes are expanding (from 1 to 4 billion people between 1995 and 2040, according to Goldman Sachs) and as in the West between the 1950s and the 1970s, this has driven and continues to fuel a boom in consumer durables, real estate, financial services (banks and insurance), recreation and healthcare... A sharp acceleration in growth began in 1978, largely under the leadership of China when it changed its economic system. The outperformance of emerging markets relative to the rest of the world began in the 1990s, but was shattered by the announcement of default on the debt of certain countries (Mexico, Russia...) and above all by the Asian financial crisis (1997/98). Emerging markets resumed a marked outperformance from 2003 to 2011.

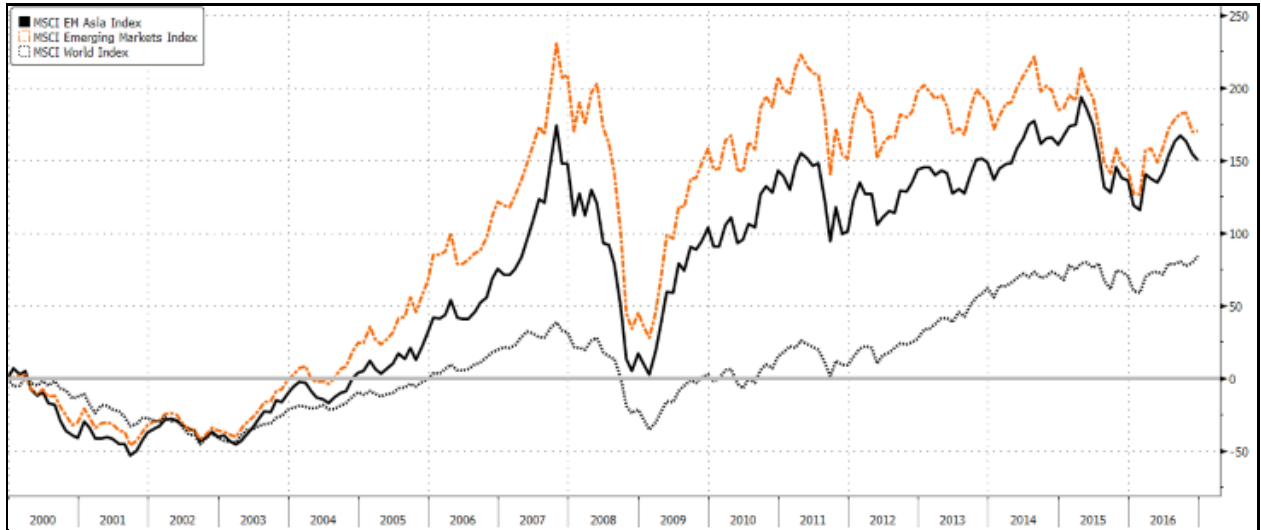
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### MSCI EMERGING MARKETS (GLOBAL AND ASIA) vs. MSCI WORLD (2000-2016)

#### INDICES

#### (ALL COUNTRIES, LOCAL CURRENCIES, NET DIVIDEND REINVESTED)



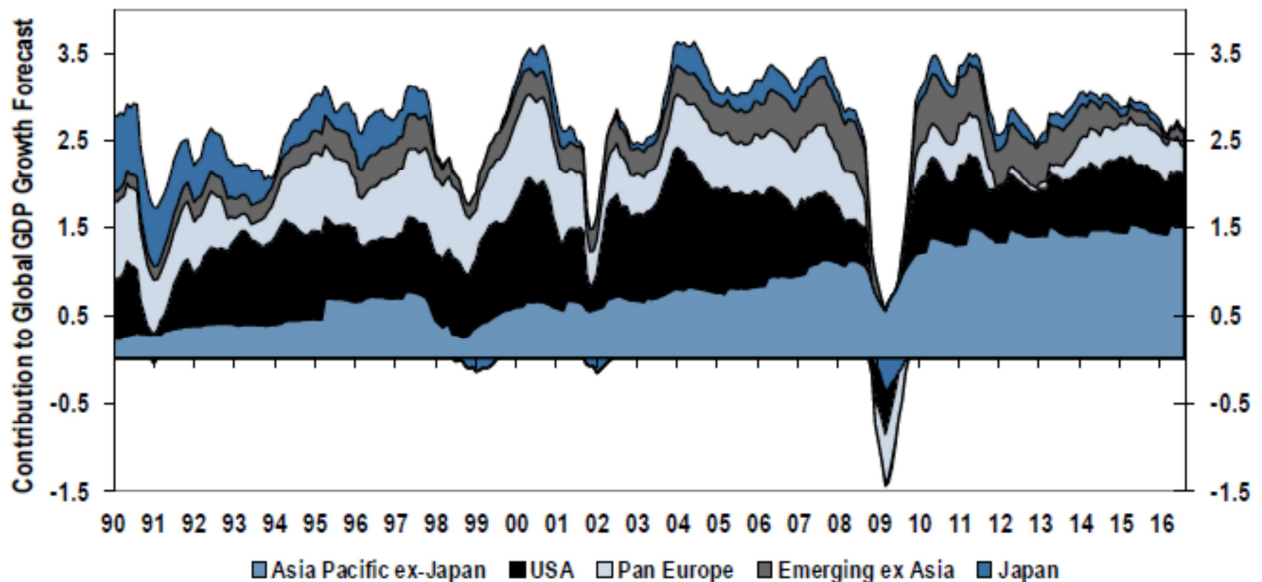
Source: Bloomberg

After a period of transition, necessary to correct (in a less than ideal manner) certain imbalances (overcapacities, banks' bad debts, insufficient regulation for good governance...), we now believe that things are in place for a new period of outperformance, particularly in the sectors (noted above) valued by the middle class in China and India. The share of Asian emerging countries in the growth rate of the world GDP has consistently increased since 1990, while that of other emerging countries (much more focused on the cyclicity of raw materials) is highly erratic.

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## Board of Directors' Report

### CONTRIBUTION OF DIFFERENT REGIONS TO THE GROWTH OF GLOBAL GDP



Source: BofA Merrill Lynch Asia Pacific Quant Strategy, Consensus Economics

In conclusion, by learning from historical experience, we continue to be fiercely in favour of a global and sectoral distribution of the SICAV portfolio especially given the current uncertainties.

## [2. Capitalism in the face of current ecological and geopolitical challenges](#)

But there are many pessimists who believe that liberal capitalism is at an impasse and that only a radical revolution of our society, turning away from progress, can save the planet. We cannot avoid this question, and feel it is useful to expand on this particularly timely issue.

It is not our ambition to write a long thesis on this rather hot topic. Furthermore, it is not the direct role of the portfolio managers whose primary purpose is to best manage the savings entrusted to the Investment Funds that they manage, in accordance with the objectives and risks set forth in the articles of association.

Nevertheless, it is incumbent upon them to try to develop a long-term view, in which the present major ecological and geopolitical challenges, which are of particular concern to investors, are of course pertinent...

Our philosophy on this matter is actually quite simple: it is always useful to go back to the key definitions...

**Capitalism:** is, according to *Larousse*, "a system of production whose foundations are private enterprise and the free market. It is an ensemble of interrelated elements whose relationships permit the production, distribution and consumption of wealth indispensable to the life of a human collectivity". It is not therefore, as many people mistakenly believe, an ideology, but rather a system of production that can be malleable and perfectible over time. It is undeniable, however, that the

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## Board of Directors' Report

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practical characteristics of capitalism, observed from its very origins in the 15<sup>th</sup> century (at the time of Jacques Cœur, the brilliant paymaster of King Charles VII), and especially from the 18<sup>th</sup> century and the industrial revolution are the following:

- Respect for private property
- The division of capital and labour in the means of production
- Free competition and the free markets
- The pursuit of profit and the accumulation of capital (*horresco referens...*)

As a means of production (the market also being a means and not an end in itself, as Tocqueville wisely noted), capitalism does not have to be moral, but effective in the optimal allocation of resources (capital and labour), which are fundamentally complementary. However, it is the capitalists and business leaders (we should also add trade unions, as representatives of the workers...) who must be ethical (a term we prefer to “moral”) and responsible.

The economists who followed Adam Smith quickly turned out to be more realistic, wary of the principle of “the invisible hand”, which would ideally self-regulate the market. Hobbes had already declared in the 16<sup>th</sup> century that man is a wolf to man... the role of the regulator was thus logically attributed to the state, which must ensure, without too much managerial interference or the multiplication of counter-productive regulations, that the fundamental rules of the free market are respected.

Capitalism, like any system, has experienced deviations, especially in the early 2000's when a form of extreme financial capitalism developed. Aimed at rapid enrichment at the expense of ethics (social, fiscal, environmental...), it was far removed from entrepreneurial capitalism, which is a contributor to progress for all, if it is practised in a responsible and citizen-like manner. The considerable leverage that finance offers can indeed be the best or the worst of things... Yet again, it is not capitalism that is in question, but rather the improper use of it, particularly when there are authorities in charge of preventing such abuses. Unfortunately they often fail in this mission of prevention and control, as was seen during the subprime crisis in 2007/2008. There they were busy putting out fires, to the detriment of their public debt and taxpayers first of all, and secondly by introducing excessive and hair-splitting regulations, that today considerably hinder the spirit of enterprise, the only true creator of employment and progress.

But it is time to focus on the practical implications that these considerations have on the long-term management of a portfolio...

Perfectly aware of the deviations that capitalism can experience, to which we prefer the broader notion of a liberal economy (deviations that can also be encountered in the governing of corrupt states or those rendered inefficient by an asphyxiating excess of regulations), we are confident in the capacity of the liberal system to adapt, evolve, and innovate. Citizens' movements, which develop at an astonishing rate today thanks to the Internet, seem promising to us even in their excesses because they develop our awareness of the stakes involved. Numerous, non-exhaustive examples:

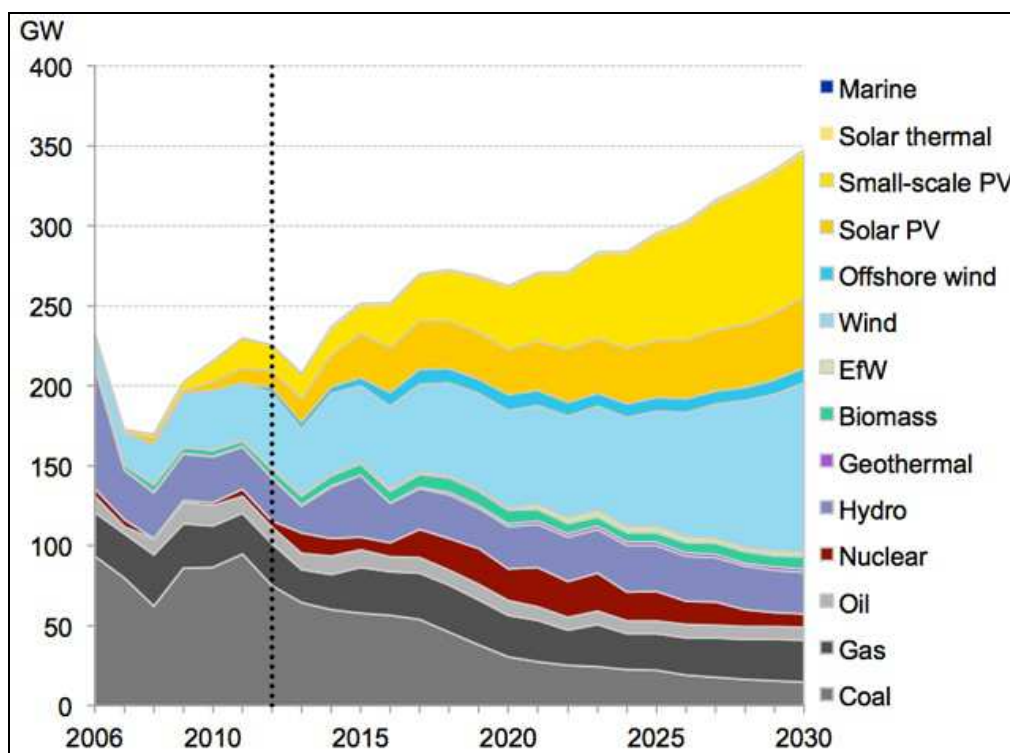


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## Board of Directors' Report

- **The positive spirit and responsible citizenship** of the concrete achievements shown in the magnificent film "Demain" by Cyril Dion and Mélanie Laurent.
- The success of the partial recovery of the **ozone layer** at the South Pole, more quickly than expected, thanks to the ban on CFC gases in aerosols since 1987 (the Montréal protocol), just two years after the evidence of a link between the observed "hole" and the use of these gases.
- The heroic performance of Bertrand Picard and André Borschberg during their aerial world tour aboard the *Solar Impulse*, in technical partnership with a socially responsible Belgian multinational corporation, Solvay... who attest that this project enabled the creation of 13 products used in 6000 parts and 25 applications.
- The share of **alternative renewable and non-polluting energy** in total production continues to grow and will reach 70% by 2030.

### SHARE OF DIFFERENT SOURCES ENERGY IN GLOBAL PRODUCTION



Source: Bloomberg New Energy Research

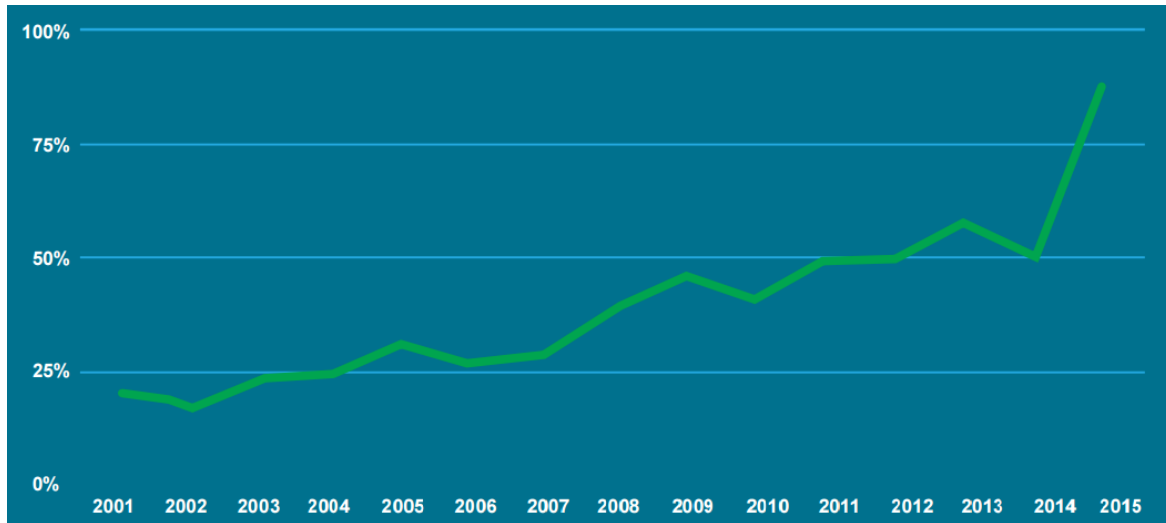
As of now, the World Wildlife Fund estimates in its September 2016 report "*15 Signals: Evidence the Energy Transition is Underway*", curiously under-reported in the press, that this process has become irreversible: the share of renewable energy in new electricity generation in 2015 approached 90%, in contrast to 25% only 15 years ago.

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### ANNUAL GROWTH OF THE SHARE OF RENEWABLE ENERGY IN NEW ELECTRICITY GENERATION



Source: WWF, Irena

It is interesting to note in this regard, that the International Energy Agency (IEA), in its recent report (*Medium-Term Renewable Energy Market Report*), states: “China remains the undisputed global leader of renewable energy expansion, representing close to 40% of growth [in this sector]”.

- The proactive orientation towards zero tolerance of **international tax evasion** should free-up significant resources, provided that states are less bureaucratic and more efficient in the activities (infrastructure, education, social security, justice etc.) and controls that are their jurisdiction.
- Last but not least, capitalism’s detractors expect a great deal from the welfare state (currently heavily indebted in developed countries and forced to restrict its social budgets to the detriment of the more vulnerable underclasses, healthcare, culture and education...), but they are not necessarily conscious of the **considerable amounts allocated by wealthy philanthropists**. It is not just about charity, but community and solidarity projects initiated by entrepreneurs, who are generally more efficient than states in the allocation of resources.

A few examples from *Forbes* ranking of the greatest philanthropists:

- George Soros (the “villain” speculator...), one of the best fund managers of all times, has contributed a total of \$12.1 billion (49% of his fortune) over his lifetime. He announced in 2016 an offer of \$500 million to organisations assisting migrants in Europe.
- The Bill and Melinda Gates Foundation: \$4.2 billion in 2015 for healthcare, education, fighting poverty, especially in Africa. Nearly 50% of their fortune has been devoted to philanthropic projects.
- In 2010, Warren Buffett created of *The Giving Pledge*, prompting billionaires around the world to donate at least half of their fortune to philanthropic causes during their lifetimes

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- or upon death. 129 billionaires have enlisted, including Michael Bloomberg. Warren Buffett gave \$2 billion to the Gates Foundation in 2013.
- Liliane Bettencourt did not only sponsor François-Marie Banier: according to *les Echos*, she gave a total of €760 million to charities, especially in the field of healthcare.
  - Fondation Louis Vuitton (Bernard Arnault) donated more than €100 million to patron the arts (including the magnificent museum built next to the Jardin d'Acclimatation, in the Bois de Boulogne).
  - Michael Bloomberg: \$462 million in 2014 for various projects (healthcare, education, environment) and a substantial donation to three NGOs working to protect the seabed.
  - Etc.

All these initiatives are complementary to the social, environmental and cultural activities of the states, which must also be efficient, ethical and responsible...

We conclude by emphasising that, like democracy in the political domain, capitalism (provided it is truly liberal and sufficiently regulated) is the lesser evil of economic systems. It does not have to be ideological, but rather pragmatic- to ensure the best possible allocation of resources in an imperfect world filled with all kinds of inequities. In spite of numerous excesses and aberrations, it has proven its effectiveness, through innovation and Schumpeter's famous *creative destruction*; especially during crises like the one we are presently experiencing. It is of course, like every human enterprise, subject to the pendulum of history, and in particular to the distribution of the fruits of growth between capital and labour, which undergoes vast lengthy oscillations, but which, like a good pendulum, performs the opposite movement when it has gone too far in one direction. However, one must beware of easy slogans: while it is true that the gap between the rich and the poor has grown sharply over the past twenty years, the pie has continued to grow and the average income per capita on the planet has almost never ceased to progress, reaching a historic high today. This growth is not only quantitative, but above all qualitative: as Angus Deaton, winner of the Nobel Prize for Economics in 2015, writes in his book *The Great Escape – Health, Wealth, and the Origins of Inequality*, "Life is better today than it has ever been in all of history": education (dramatic decline in illiteracy), life expectation and standard of living, healthcare, a decline in violence and wars (not felt by the population due to the intense media-coverage of violence).

Although it is not our responsibility, but rather that of sociologists and psychologists, we cannot ignore the multiple frustrations apparent in our society, despite this generally positive assessment. They are undoubtedly of a different order, a need to supplement the soul, the lack of spirituality in a material world. The notion of *civic interiority*, developed by Thomas d'Ansembourg, particularly in the book that he recently co-wrote with David Van Reybrouck: "*La paix ça s'apprend !*" (*Peace is Learned!*) seems especially interesting, because it adds a spiritual dimension (independent of any religion) to ethics and responsibility. Furthermore it is paradoxical that the Universal Declaration of Human Rights adopted by the UN in 1948 speaks extensively of rights, but very little, and rather vaguely, of civic duties (articles 1 and 29)... We prefer the term responsibilities (of citizens, companies, states...).

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## Board of Directors' Report

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Today in particular, there is an aspiration to move towards “well-being” rather than “having more”. This does not seem to be incompatible with liberal capitalism, which, thanks to its capacity for adaptation, must be transformed from within to face the many current challenges. Those calling for a revolution focusing on degrowth thus seem misguided.

Again we quote Bertrand Piccard, a champion of optimism, who believes we must not turn our backs on progress, but on the contrary, invest heavily in technological innovation in order to find solutions to the major social, economic and ecological challenges of our era (rather than endlessly and gloomily sorting through the litany of problems).

Our management philosophy, and choice of stock market values, is thus resolutely oriented towards a liberal and entrepreneurial capitalism, which is ethical, responsible and reasonably regulated by the controlling authorities, they themselves being ethical and efficient. In these conditions it can truly be a source of economic and social progress, through its flexible and innovative nature.

### [3. Commentary of the SICAV managers](#)

2016 was not a good year in terms of performance for our strategy. The two major factors behind our underperformance were firstly the cyclicity of our investment style and secondly some investment decisions that did not meet our expectations. However, we believe that this underperformance is temporary and we remain convinced that our investment strategy will deliver above average returns over the long term and we are fully committed to the portfolio management of the SICAV. We have also taken a number of steps to further improve our investment process to deliver a more consistent performance in the future.

A key reason behind this year's underperformance of the SICAV compared to global indices is the cyclical nature of our investment style. Our strategy is built around 25 to 35 high conviction investment ideas targeting growth companies. For share classes denominated in euro, the foreign currency exposure is hedged. We also have a much higher exposure to emerging markets than indices representing the international exchange. As a result, we tend to underperform when the US equity markets and the US dollar outperform the world markets and when downward sectors outperform growth companies. Among the best market performers this year were natural resource stocks like Glencore and Fortescue, which had dismissal performances over the last five years. Seeing these sectors we're not invested in outperforming is frustrating; however we strongly believe that compromising a well thought-out investment approach is much more dangerous than missing some short term opportunities. We also think that euro-US dollar moves are more cyclical than structural over long periods and that currency gains/losses will even out for the patient investor.

Investing in companies that later fail to meet our expectations has always been and will always be part of active portfolio management. However, we strive to learn from our mistakes and to improve our investment process. Over the last twelve months, TreeTop Asset Management has made significant investments to enhance the quality of its research. We have partnered with Aubrey Capital Management, a Scottish asset manager with significant experience in emerging and developed markets. We now hold weekly calls with them to assess investment ideas; effectively more than doubling our research team. We continue to travel around the world to better

# TreeTop Convertible SICAV

## Board of Directors' Report

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understand major economic trends and find new investment gems. Over the past twelve months, our team travelled to India to investigate the housing financing industry, to China to meet local Internet companies and to several European countries as well. Over the next quarter, we plan to visit India again to assess the health of the economy and the housing market in particular. We also plan to go the United States to scout for new investment opportunities.

Large performance detractors this year were Sports Direct International, Alliance Data Systems, Vipshop Holdings and perpetual bonds of BNP Paribas Fortis and Ageas. Usually, we have one of our top five position generating outstanding returns every year, which didn't happen this year. Large positions like Alliance Data Systems and Vipshop Holdings continued to deliver decent earnings results but delivered poor stock returns. Perpetual bonds of BNP Paribas Fortis and Ageas were affected by the poor performance of European banking bonds; but we think these products were oversold given the sound nature of the underlying business. We have seen similar patterns before like with United Rentals which saw its stock de-rating dramatically in 2015 before rallying in 2016.

Despite these setbacks, we remain very excited about our various positions. Our major investment themes are e-commerce and related services, aviation and consumption growth in emerging markets. The major changes we made last year were selling most of the position in Alimentation Couche-Tard and re-investing the proceeds in Vipshop Holdings. Indiabulls Housing Finance has also become a major position of the portfolio. We have completely sold all auto-related holdings but continue to maintain strong positions in aviation. All of these investment decisions were made to allocate capital to investment ideas we believe have the best risk/reward potential. Vipshop Holdings' stock now trades at a similar valuation as Alimentation Couche-Tard, yet its business could easily double if not triple in the next five years; a growth rate that would be very difficult for Alimentation Couche-Tard to achieve. We believe that most automobile markets are peaking and this is why we decided to sell the AutoZone and Tata Motors positions; the two names having been significant contributors to our SICAV portfolio's performance over the last five years. Aviation travel on the contrary still has significant room to grow and both Airbus and Safran should continue to benefit as they are active in monopolistic markets. Shares of these companies trade at a similar valuation as the whole market despite double the growth potential. Other major positions are UPL LTD, the largest generic herbicide/pesticide company in the world, Fufeng Group, which is concluding the consolidation of the largest food additive market in China and Gildan Activewear, the low-cost leader in underwear in the United States and Europe. These three businesses were all built by entrepreneurial management teams over the last ten to fifteen years, have a low-cost leadership in big markets and significant room to grow market share. Despite these very attractive characteristics, the three stocks trade at a significant discount from the market for Fufeng Group or a slight premium for Gildan Activewear.

In summary, we invest the SICAV portfolio in companies that we believe can grow much faster than the world economy, but still trade at similar valuations as the world markets. Such companies are not easy to come by and this results in high concentration and more volatility of the portfolio, but we are convinced by 30 years of investment experience that this approach provides a good way to outperform markets over the long term.

# TreeTop Convertible SICAV

## Board of Directors' Report

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### [4. 2016 review](#)

Performance summary as of 31/12/2016		
	TreeTop Conv. Intl A EUR	MSCI AC World*
<b>Cumulative returns</b>		
1 month	-0.3%	+2.5%
3 months	-0.9%	+4.1%
1 year	-8.7%	+9.0%
<b>Annualized returns</b>		
3 years	+0.1%	+6.5%
5 years	+7.6%	+11.9%
10 years	+3.9%	+4.3%
Since inception**	+8.8%	+6.6%

\* The investment policy does not stipulate any correlation between the Sub-Fund and the index (MSCI All Country World in local currency - Bloomberg code: NDLEACWF). Consequently, the performance of the Sub-Fund may differ from the performance of the index.

\*\* The A share class was launched on 30 June 1988.

Note: Past performance is no guarantee of future performance.



## Audit report

To the Shareholders of  
TreeTop Convertible SICAV

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We have audited the accompanying financial statements of TreeTop Convertible SICAV (“the SICAV”) and of each of its Sub-Funds, which comprise the statement of net assets and the schedule of investments as at December 31<sup>st</sup>, 2016 and the statement of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

### *Responsibility of the Board of Directors of the SICAV for the financial statements*

The Board of Directors of the SICAV is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements and for such internal control as the Board of Directors of the SICAV determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Responsibility of the “Réviseur d’entreprises agréé”*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier”. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the “Réviseur d’entreprises agréé”, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the “Réviseur d’entreprises agréé” considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the SICAV, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of TreeTop Convertible SICAV and of each of its Sub-Funds as of December 31<sup>st</sup>, 2016, and of the results of their operations and changes in the net asset for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

### *Other information*

The Board of Directors of the SICAV is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our audit report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, March 15<sup>th</sup>, 2017

Antoine Geoffrey



# TreeTop Convertible SICAV

## Statement of Net Assets as at December 31<sup>st</sup>, 2016

	Notes	TreeTop Convertible International (in EUR)
<b>ASSETS</b>		
Investments in Securities	1a	381.197.549,23
Cash at Banks		86.322.968,71
Interest Receivable on Bonds		454.078,25
Interest Receivable on Cash Accounts		13.402,78
Amounts Receivable on Subscriptions		9.873,60
Amounts Receivable on Investment Sold		1.244.828,48
Guaranty Deposit		10.741.054,75
<b>Total ASSETS</b>		<b>479.983.755,80</b>
<b>LIABILITIES</b>		
Taxes and Expenses Payable	3	2.069.791,22
Overdraft Interest Payable		999,08
Amounts Payable on Redemptions		4.349.578,36
Unrealised Loss on Forward Exchange Contracts	7	8.010.017,96
<b>Total LIABILITIES</b>		<b>14.430.386,62</b>
<b>NET ASSETS</b>		<b>465.553.369,18</b>
Number of Shares Outstanding (at the end of the Financial Year)		
- Class A EUR Cap		1.405.275,822
- Class B USD Cap		115.457,682
- Class D EUR Dis		161.229,663
- Class C GBP Dis		10.157,626
Net Asset Value per Share (at the end of the Financial Year)		
- Class A EUR Cap		274,21
- Class B USD Cap		356,87
- Class D EUR Dis		246,57
- Class C GBP Dis		117,45

The accompanying notes form an integral part of these Financial Statements.

# TreeTop Convertible SICAV

## Statement of Operations and Changes in Net Assets from January 1<sup>st</sup>, 2016 to December 31<sup>st</sup>, 2016

	Notes	TreeTop Convertible International (in EUR)
<b>INCOME</b>		
Dividends, net of taxes	1f	5.715.054,82
Interest on Bonds, net of taxes	1f	5.239.213,49
Interest on Cash Accounts		395.245,40
<b>Total</b>		<b>11.349.513,71</b>
<b>EXPENSES</b>		
Management Fees	4	8.195.633,39
Custodian Fees	9	1.288.765,97
Subscription Tax(	5	534.415,60
Administration Fees	8	489.143,14
Transactions Fees		1.469.636,04
Miscellaneous Fees	6	136.301,33
Overdraft Interest		2.933,82
Taxes paid to Foreign Authorities		4.947,11
<b>Total</b>		<b>12.121.776,40</b>
<b>NET PROFIT</b>		<b>-772.262,69</b>
Net Realised Appreciation/ (Depreciation)		
- on investments	1e	98.259.944,21
- on currencies		-2.255.248,76
- on forward exchange contracts		-17.398.606,31
<b>NET REALISED PROFIT / (LOSS)</b>		<b>77.833.826,45</b>
Change in Net Unrealised Appreciation/ (Depreciation)	1f	
- on investments		-162.142.730,76
- on forward exchange contracts		2.003.863,59
<b>RESULT OF OPERATIONS</b>		<b>-82.305.040,72</b>
- Subscriptions		23.516.025,48
- Redemptions		-423.965.291,45
- Distributed Dividends	10	-2.321.938,64
<b>Net Result of Operations</b>		<b>-485.076.245,33</b>
Net Assets at the beginning of the Financial Year		950.629.614,51
Net Assets at the end of the Financial Year		465.553.369,18

The accompanying notes form an integral part of these Financial Statements.

# TreeTop Convertible SICAV

## Schedule of Investments as at December 31<sup>st</sup>, 2016

TreeTop Convertible International					
Description	Quantity / Nominal	Ccy	Acquisition Cost (in EUR)	Valuation (in EUR)	% Total Net Assets
<b>Transferable Securities admitted to an Official Stock Exchange or dealt in on Another Regulated Market</b>					
<b>Shares &amp; Related Securities</b>					
GILDAN ACTIVEWEAR INC.	213.600	CAD	5.318.876,37	5.148.025,03	1,11
<b>Total CANADIAN DOLLAR</b>			<b>5.318.876,37</b>	<b>5.148.025,03</b>	<b>1,11</b>
IWG PLC	6.738.238	GBP	9.319.893,08	19.419.008,29	4,17
<b>Total BRITISH POUND</b>			<b>9.319.893,08</b>	<b>19.419.008,29</b>	<b>4,17</b>
WIRE CARD A.G.	356.000	EUR	15.908.924,83	14.556.840,00	3,13
<b>Total EURO</b>			<b>15.908.924,83</b>	<b>14.556.840,00</b>	<b>3,13</b>
CHINA SKY CHEMICAL FIBRE CO LTD	6.713.000	SGD	6.817.967,82	0,00	0,00
<b>Total SINGAPORE DOLLAR</b>			<b>6.817.967,82</b>	<b>0,00</b>	<b>0,00</b>
ALLIANCE DATA SYSTEMS CORP.	178.435	USD	20.195.922,59	38.655.982,46	8,30
INDIABULLS HOUSING FINANCE -MERRILL LYNCH (WRT) 14-210519	1.625.100	USD	13.094.524,92	14.709.485,38	3,16
KOREA ELECTRIC POWER -UBS (WRT) 16-051217	501.573	USD	17.514.476,35	17.432.960,79	3,74
UPL -CLSA (WRT) 14-251119	1.719.135	USD	14.278.554,23	15.532.928,70	3,34
UPL -JPMORGAN (WRT) 13-231018	501.137	USD	3.949.500,19	4.504.175,17	0,97
<b>Total US DOLLAR</b>			<b>69.032.978,28</b>	<b>90.835.532,50</b>	<b>19,51</b>
<b>Total Shares &amp; Related Securities</b>			<b>106.398.640,38</b>	<b>129.959.405,82</b>	<b>27,92</b>
<b>Bonds</b>					
FUFENG GROUP CONV 3,00 13-271118	283.000.000	CNY	38.744.260,37	44.824.146,82	9,63
<b>Total CHINESE YUAN REN-MIN-BI</b>			<b>38.744.260,37</b>	<b>44.824.146,82</b>	<b>9,63</b>
AGEASFINLUX CONV FRN 02-PERPETUAL	85.250.000	EUR	37.152.041,41	41.417.433,75	8,90
FORTIS BANK CONV FRN 07-PERPETUAL	34.500.000	EUR	16.859.012,26	22.906.447,50	4,92
<b>Total EURO</b>			<b>54.011.053,67</b>	<b>64.323.881,25</b>	<b>13,82</b>

The accompanying notes form an integral part of these Financial Statements.

# TreeTop Convertible SICAV

## Schedule of Investments as at December 31<sup>st</sup>, 2016

TreeTop Convertible International					
Description	Quantity / Nominal	Ccy	Acquisition Cost (in EUR)	Valuation (in EUR)	% Total Net Assets
GLENMARK PHARMACEUTICAL CONV 2,00 16-280622	19.000.000	USD	17.058.717,91	19.154.557,95	4,11
VIPSHOP HOLDINGS CONV 1,50 14-150319	47.667.000	USD	49.276.098,37	44.999.274,93	9,66
<b>Total US DOLLAR</b>			<b>66.334.816,28</b>	<b>64.153.832,88</b>	<b>13,77</b>
<b>Total Bonds</b>			<b>159.090.130,32</b>	<b>173.301.860,95</b>	<b>37,22</b>
<b>Total Transferable Securities admitted to an Official Stock Exchange or dealt in on Another Regulated Market</b>			<b>265.488.770,70</b>	<b>303.261.266,77</b>	<b>65,14</b>
<b>Other transferable Securities</b>					
FIBRECHEM TECHNOLOGIES LTD	3.518.000	SGD	846.907,48	0,00	0,00
<b>Derivatives</b>			<b>846.907,48</b>	<b>0,00</b>	<b>0,00</b>
ALIMENTATION COUCHE TARD -BARCLAYS (WRT CALL) 16-101218	306.800	CAD	7.499.325,86	6.893.212,20	1,48
<b>Total CANADIAN DOLLAR</b>			<b>7.499.325,86</b>	<b>6.893.212,20</b>	<b>1,48</b>
AIRBUS GROUP -BARCLAYS (WRT CALL) 14-230617	292.038	EUR	1.774.183,09	2.756.838,72	0,59
AIRBUS GROUP -DEUTSCHE BANK (WRT CALL) 14-130617	93.801	EUR	766.438,61	1.108.727,82	0,24
AIRBUS GROUP -DEUTSCHE BANK (WRT CALL) 14-300617	394.249	EUR	3.085.068,20	5.673.243,11	1,22
AIRBUS GROUP -NATIXIS (WRT CALL) 16-171218	170.000	EUR	3.506.573,00	3.985.599,00	0,86
SAFRAN -DEUTSCHE BANK (WRT CALL) 14-280617	20.910	EUR	129.900,14	291.694,50	0,06
SAFRAN -GOLDMAN SACHS (WRT CALL) 14-280817	761.950	EUR	4.835.216,57	10.713.017,00	2,30
<b>Total EURO</b>			<b>14.097.379,61</b>	<b>24.529.120,15</b>	<b>5,27</b>
ASHTHEAD -GOLDMAN SACHS (WRT CALL) 16-071218	576.000	GBP	4.747.157,64	3.840.899,72	0,83
SPORTS DIRECT INTL GROUP -GOLDMAN SACHS (WRT CALL) 15-160117	1.059.251	GBP	1.834.691,47	1.240,92	0,00
SPORTS DIRECT INTL GROUP -GOLDMAN SACHS (WRT CALL) 15-180117	1.059.251	GBP	1.834.691,47	1.240,92	0,00
SPORTS DIRECT INTL GROUP -GOLDMAN SACHS (WRT CALL) 15-200117	1.059.251	GBP	1.834.691,47	1.240,92	0,00
SPORTS DIRECT INTL GROUP -GOLDMAN SACHS (WRT CALL) 15-230117	1.059.251	GBP	1.834.691,47	1.240,92	0,00
SPORTS DIRECT INTL GROUP -GOLDMAN SACHS (WRT CALL) 15-250117	1.059.251	GBP	1.834.691,47	1.240,92	0,00
<b>Total BRITISH POUND</b>			<b>13.920.614,99</b>	<b>3.847.104,32</b>	<b>0,83</b>
BAIDU INC. -DEUTSCHE BANK (WRT CALL) 16-100518	54.653	USD	3.863.844,35	3.628.290,77	0,78
BAIDU INC. -JPMORGAN (WRT CALL) 15-130818	164.332	USD	5.529.401,33	3.095.782,74	0,66

The accompanying notes form an integral part of these Financial Statements.

# TreeTop Convertible SICAV

## Schedule of Investments as at December 31<sup>st</sup>, 2016

TreeTop Convertible International					
Description	Quantity / Nominal	Ccy	Acquisition Cost (in EUR)	Valuation (in EUR)	% Total Net Assets
INC RESEARCH -JPMORGAN (WRT CALL) 16-100818	179.469	USD	3.910.752,82	5.062.055,23	1,09
INC RESEARCH -NATIXIS (WRT CALL) 16-010818	221.357	USD	4.514.633,68	6.109.348,26	1,31
INC RESEARCH -BARCLAYS (WRT CALL) 16-041018	70.875	USD	1.698.027,29	2.129.441,81	0,46
INDIABULLS HOUSING FINANCE -JPMORGAN (WRT CALL) 16-190117	3.453.941	USD	16.246.909,09	10.937.343,39	2,35
LAZARD LTD -GOLDMAN SACHS (WRT CALL) 15-170717	242.900	USD	1.735.870,94	2.302,92	0,00
LAZARD LTD -GOLDMAN SACHS (WRT CALL) 15-210417	512.200	USD	3.838.102,50	4.856,13	0,00
LAZARD LTD -JPMORGAN (WRT CALL) 15-300517	516.783	USD	3.598.044,87	44.096,20	0,01
LAZARD LTD -JPMORGAN (WRT CALL) 15-091018	397.717	USD	2.833.797,11	923.827,12	0,20
POLARIS INDUSTRIES -BARCLAYS (WRT CALL) 15-201017	191.800	USD	3.601.973,48	86.375,92	0,02
SKECHERS US -NATIXIS (WRT CALL) 16-110618	753.496	USD	9.739.399,00	5.224.572,32	1,12
UNITED RENTALS -NATIXIS (WRT CALL) 16-171218	122.700	USD	5.612.165,48	5.418.552,98	1,16
<b>Total US DOLLAR</b>			<b>66.722.921,94</b>	<b>42.666.845,79</b>	<b>9,16</b>
<b>Total Derivatives</b>			<b>103.087.149,88</b>	<b>77.936.282,46</b>	<b>16,74</b>
<b>Total Portfolio</b>			<b>368.575.920,58</b>	<b>381.197.549,23</b>	<b>81,88</b>

The accompanying notes form an integral part of these Financial Statements.

# TreeTop Convertible SICAV

## Geographic Allocation as at December 31<sup>st</sup>, 2016

TreeTop Convertible International	% Total Net Assets
CAYMAN ISLANDS	19,29
UNITED STATES OF AMERICA	16,32
LUXEMBOURG	8,90
UNITED KINGDOM	7,67
GERMANY	5,24
BELGIUM	4,92
JERSEY	4,17
INDE	4,11
BERMUDES	3,34
CURACAO	3,16
France	2,02
NETHERLANDS	1,63
CANADA	1,11
Total Portfolio	81,88

*These allocations of assets were established on basis of data (gross) used by the Administrative Agent and do not reflect inevitably the geographic analysis which directed the assets selection.*

# TreeTop Convertible SICAV

## Economic Allocation as at December 31<sup>st</sup>, 2016

TreeTop Convertible International	% Total Net Assets
FINANCIAL SERVICES - HOLDINGS	28,57
BANKS	13,20
DISTRIBUTION	10,77
BIOTECHNOLOGY	9,63
MISCELLANEOUS	8,30
MISCELLANEOUS SERVICES	7,30
PHARMACOLOGY - PERSONAL CARE	4,11
CHEMICAL PRODUCTS	0,00
MISCELLANEOUS CONSUMER GOODS	0,00
Total Portfolio	81,88

*These allocations of assets were established on basis of data (gross) used by the Administrative Agent and do not reflect inevitably the economic analysis which directed the assets selection.*

# TreeTop Convertible SICAV

## Allocation by currency as at December 31<sup>st</sup>, 2016

TreeTop Convertible International	% Total Net Assets
US DOLLAR	42,44
EURO	22,22
CHINESE YUAN REN-MIN-BI	9,63
BRITITSH POUND	5,00
CANADIAN DOLLAR	2,59
Total PORTFOLIO	81,88

*These allocations of assets were established on basis of data (gross) used by the Administrative Agent and do not reflect inevitably the currency analysis which directed the assets selection.*



# TreeTop Convertible SICAV

## Changes in the Number of Shares

	<b>TreeTop Convertible International</b>
Shares outstanding at beginning of the financial year	
Class A EUR Cap	2.591.291,702
Class B USD Cap	244.069,337
Class D EUR Dis	294.569,504
Class C GBP Dis	22.900,587
Shares issued during the financial year	
Class A EUR Cap	72.253,175
Class B USD Cap	4.147,320
Class D EUR Dis	8.531,907
Class C GBP Dis	1.974,737
Shares redeemed during the financial year	
Class A EUR Cap	1.258.269,055
Class B USD Cap	132.758,975
Class D EUR Dis	141.871,748
Class C GBP Dis	14.717,698
Shares outstanding at end of the financial year	
Class A EUR Cap	1.405.275,822
Class B USD Cap	115.457,682
Class D EUR Dis	161.229,663
Class C GBP Dis	10.157,626

# TreeTop Convertible SICAV

## Changes in Capital, Total Net Assets and Net Asset Value per Share

Sub-Fund	Valuation Date	Shares outstanding	Total Net Assets	Share Price
TreeTop Convertible International	31/12/2014	3.364.515,334 Cl. A EUR Cap	1.158.737.687,75	296,61 Cl. A EUR Cap
		309.203,299 Cl. B USD Cap		381,07 Cl. B USD Cap
		207.683,250 Cl. D EUR Dis		282,00 Cl. D EUR Dis
		28.390,666 Cl. C GBP Dis		132,23 Cl. C GBP Dis
	31/12/2015	2.591.291,702 Cl. A EUR Cap	950.629.614,51	300,23 Cl. A EUR Cap
		244.069,337 Cl. B USD Cap		385,01 Cl. B USD Cap
		294.569,504 Cl. D EUR Dis		278,71 Cl. D EUR Dis
		22.900,587 Cl. C GBP Dis		130,02 Cl. C GBP Dis
	31/12/2016	1.405.275,822 Cl. A EUR Cap	465.553.369,18	274,21 Cl. A EUR Cap
115.457,682 Cl. B USD Cap		356,87 Cl. B USD Cap		
161.229,663 Cl. D EUR Dis		246,57 Cl. D EUR Dis		
10.157,626 Cl. C GBP Dis		117,45 Cl. C GBP Dis		

# TreeTop Convertible SICAV

## Notes to the Financial Statements as at December 31<sup>st</sup>, 2016

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### Note 1 - Accounting principles and methods

The financial statements of the SICAV are prepared in accordance with the rules in place for undertakings of transferable securities

#### a) Valuation of investments

The value of any security traded or admitted to official quotation is based on the last available price December 31<sup>st</sup>, 2016, or, if there are several markets, on the last available price of the main relevant market.

The value of any security admitted on another regulated market is based on the last available price, or, if there are several markets, on the last available price on the main relevant market.

The shares / parts of OPC are estimated on base of their last official net asset value available in the day of evaluation (that is the price of quotation if the OPC is quoted or the net asset value communicated by Administrative Agent of the OPC) or unofficial if this one is of more recent date (on base, in this case of net asset value of likely estimated with caution and good faith by the Board of Directors of the SICAV or on base of the other sources such as an information of the Manager of the aforementioned OPC).

The value of securities which are not quoted on an official market and whose price is not representative shall be based on the last available market price or, in the absence of a market value, on the probable realisation value estimated according to valuation criteria as determined in good faith by and under the direction of the Board of Directors of the SICAV.

#### b) Net realised profit or loss on investments

The net realised profit or loss on sale of investments is determined on the basis of the average cost of investments sold.

#### c) Conversion of foreign currencies

All assets expressed in currencies other than the Sub-Fund's functional currency are converted into the Sub-Fund's functional currency at the exchange rate prevailing on the closing date in Luxembourg as at December 31<sup>st</sup>, 2016 (note 2).

The value of the net asset of the SICAV is equal to the sum of the net asset values of the various compartments converted in EUR to the exchange rates prevailing in Luxembourg the day of closing (31st December, 2016).

#### d) Acquisition cost of investments

For the securities investment expressed in currencies other than the currency of the concerned Sub-Fund, the acquisition cost is calculated on base of the current exchange rate in the day of the purchase.

#### e) Unrealised Appreciation or Depreciation

In accordance with current regulation, unrealised appreciation and depreciation at the end of the financial year are accounted for in the financial statements.

#### f) Purchases and sales of investments

The details of purchases and sales of investments may be obtained freely at the registered office of the SICAV.

# TreeTop Convertible SICAV

## Notes to the Financial Statements as at December 31<sup>st</sup>, 2016 (continued)

### Note 1 - Accounting principles and methods (continued)

#### g) Structured products

La SICAV peut investir dans des produits structurés tels que, mais pas exclusivement, des obligations convertibles synthétiques, des notes à capital garanti et des warrants. Le terme «produit structuré» désigne des valeurs mobilières émises par des institutions financières et qui sont créées avec l'objectif de restructurer les caractéristiques d'investissement de certains autres investissements (les «actifs sous-jacents»). Dans ce cadre, les institutions émettent des valeurs mobilières (les «produits structurés») représentant des intérêts dans les actifs sous-jacents. Les actifs sous-jacents de ces produits structurés doivent représenter des actifs financiers éligibles ou des indices financiers et s'inscrire dans la politique et les objectifs d'investissement du compartiment concerné.

#### h) Income

Bonds and call accounts interest are accounted for on a day-to-day basis. Dividends are taken into income on the date upon which the relevant securities are first listed as «ex-dividend».

#### i) Evaluation of forward foreign exchanges contrats

Evaluation of the contracts of forward foreign exchanges contracts, spot or contracts of options which are not negotiated on stock exchanges or on other regulated markets amounts to their net value of liquidation determined according to the decision of the Board of Directors, on a basis applied in a coherent way to each products. The value of liquidation of the forward contracts, spot or contracts of options negotiated on stock exchanges or other regulated markets is based on the last available price of these contracts on stock exchanges and regulated markets on which these contracts of options are negotiated by the SICAV. As far as if a contract cannot be liquidated the day at which net assets are estimated, the value of liquidation will be determined by the Board of Directors in a just and reasonable way.

The unrealised on contracts is estimated on basis of the "forward rates" available on the date of evaluation.

### Note 2 - Exchange rates as at au December 31<sup>st</sup>, 2016

1	EUR	=	1,45660	AUD	1	EUR	=	123,02080	JPY
			1,41445	CAD				1.273,92710	KRW
			1,07200	CHF				4,73165	MYR
			7,32995	CNY				9,07900	NOK
			7,43555	DKK				1.51265	NZD
			0,85360	GBP				52,43425	PHP
			8,17765	HKD				37,77115	THB
			14.210,11647	IDR				1,05475	USD
			71,58590	INR				14,42370	ZAR

# TreeTop Convertible SICAV

## Notes to the Financial Statements as at December 31<sup>st</sup>, 2016 (continued)

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### Note 3 - Taxes and expenses payable

Management Fees (note 4)	1.596.008,38	EUR
Custodian Fees and Transfer Agent (note 9)	244.586,81	EUR
Subscription Tax (note 5)	58.196,90	EUR
Other Fees	170.999,13	EUR
Total	2.069.791,22	EUR

### Note 4 - Management fee and performance fee

In consideration of the management services, the Management Company shall receive from the SICAV, at the end of each quarter, a management fee expressed as an annual percentage of the average net assets of each Sub-Fund during the quarter under review, at a rate of 1,20% p.a. for classes A EUR, B USD, C GBP and D EUR.

For each Sub-Fund, the Management Company shall receive from the SICAV a performance fee commission at the rate of 12% of the increase of the NAV per share before the calculation of the performance commission, in relation to the reference NAV per share. The reference NAV per share is the highest ever previously achieved by the Sub-Fund (in case of dividend payment, it will be added to the NAV to obtain the highest never achieved NAV).

A provision shall be created for the performance commission every time the NAV is calculated on the basis of the number of shares of the Sub-Fund in circulation on the day the NAV is calculated. This provision shall be paid to the Management Company quarterly.

### Note 5 - Subscription Tax

The SICAV is subject to Luxembourg tax laws.

Under current laws and regulations, the SICAV is subject in Luxembourg to the subscription tax ("taxe d'abonnement") at an annual rate of 0,05% such tax being payable quarterly and calculated on the basis of the net assets at the end of the relevant quarter.

This rate is returned to 0,01 % for the shares of the classes I.

Moreover, the SICAV being registered in Belgium, it is subject to a tax at an annual rate of 0,08% calculated for the year 2016 on the basis of shares outstanding in Belgium as at December 31<sup>st</sup>, 2015.

# TreeTop Convertible SICAV

## Notes to the Financial Statements as at December 31<sup>st</sup>, 2016 (continued)

### Note 6 - Charges and expenses

Charges and expenses attributable to the SICAV as an entity are charged and splitted in the different Sub-Funds according to the net assets of each Sub-Fund compared to the total net assets of the SICAV. Charges and expenses attributable to one particular Sub-Fund are charged directly.

### Note 7 - Forward exchange contracts

All forward exchange contracts mentioned hereafter have been dealt with Banque Degroof Petercam Luxembourg S.A. (\*):

Maturity	Ccy	Purchased Amount	Ccy	Sold Amount	Unrealized Gain/Loss	Commitment
15/03/2017	EUR	106.704.596,66	USD	120.780.000,00	-7.465.429,77	114.510.551,76
15/03/2017	SGD	13.000,00	USD	9.113,53	-103,85	8.640,46
15/03/2017	USD	1.385.410,00	EUR	1.300.000,00	9.511,61	1.300.000,00
15/03/2017	INR	70.000.000,00	USD	1.011.926,27	10.454,77	959.399,20
15/03/2017	USD	118.961,63	KRW	140.000.000,00	2.809,66	109.900,00
15/03/2017	USD	122.526,27	CAD	165.000,00	-583,91	116.653,12
15/03/2017	GBP	28.057,24	USD	35.000,00	-259,33	33.183,22
15/03/2017	GBP	38.443,50	EUR	45.000,00	-24,94	45.000,00
15/03/2017	CNY	120.000,00	GBP	13.756,10	-6,90	16.115,39
15/03/2017	INR	2.300.000,00	GBP	26.653,69	582,62	31.225,04
15/03/2017	GBP	3.571,64	CAD	6.000,00	-54,09	4.241,93
15/03/2017	SGD	14.100,00	EUR	9.275,10	-44,24	9.275,10
15/03/2017	CNY	4.000.000,00	EUR	536.739,84	-366,43	536.739,84
15/03/2017	INR	71.000.000,00	EUR	963.103,64	17.752,13	963.103,64
15/03/2017	EUR	104.522,33	CAD	150.000,00	-1.294,15	106.048,29
15/03/2017	SGD	140.000,00	EUR	92.093,15	-439,22	92.093,15
15/03/2017	CNY	42.000.000,00	EUR	5.635.768,34	-3.847,46	5.635.768,34
15/03/2017	INR	760.000.000,00	EUR	10.309.278,35	190.022,87	10.309.278,35
15/03/2017	EUR	905.860,22	CAD	1.300.000,00	-11.215,94	919.085,18
15/03/2017	EUR	324.635,80	INR	24.000.000,00	-6.934,64	335.260,80
15/03/2017	CAD	140.000,00	EUR	98.280,10	428,41	98.280,10
15/03/2017	GBP	6.879,47	INR	600.000,00	-240,96	8.381,52
15/03/2017	EUR	6.500,00	GBP	5.509,73	51,94	6.454,70

(\*) Cf Note 12

# TreeTop Convertible SICAV

## Notes to the Financial Statements as at December 31<sup>st</sup>, 2016 (continued)

### Note 7 - Forward exchange contracts (continued)

Maturity	Ccy	Purchased Amount	Ccy	Sold Amount	Unrealized Gain/Loss	Commitment
15/03/2017	CAD	6.000,00	GBP	3.570,30	52,29	4.182,64
15/03/2017	CAD	140.000,00	USD	105.332,06	-858,43	99.864,48
15/03/2017	KRW	200.000.000,00	USD	170.677,59	-4.744,55	161.818,06
15/03/2017	USD	362.423,89	INR	25.000.000,00	-2.819,05	349.230,00
15/03/2017	KRW	2.300.000.000,00	EUR	1.831.385,16	-30.589,32	1.831.385,16
15/03/2017	EUR	3.516.887,82	INR	260.000.000,00	-75.125,28	3.631.992,00
15/03/2017	CAD	1.250.000,00	EUR	877.500,88	3.825,11	877.500,88
15/03/2017	KRW	5.000.000,00	GBP	3.374,73	-34,45	3.953,53
15/03/2017	EUR	600.000,00	USD	640.530,00	-5.475,47	607.281,37
15/03/2017	EUR	1.043.481,05	KRW	1.300.000.000,00	25.345,36	1.020.500,00
15/06/2017	EUR	76.476.842,44	USD	82.000.000,00	-622.594,50	77.743.544,00
15/03/2017	EUR	91.978,19	SGD	140.000,00	272,39	91.875,57
15/03/2017	EUR	13.496.520,48	CAD	18.890.000,00	170.698,41	13.355.014,65
15/03/2017	EUR	51.444.371,08	INR	3.739.800.000,00	-222.592,73	52.242.014,16
15/03/2017	EUR	19.092.304,11	KRW	23.764.000.000,00	480.783,70	18.654.740,00
15/03/2017	EUR	44.740.428,03	CNY	334.900.000,00	-187.976,18	45.689.268,34
15/03/2017	USD	8.518.121,30	EUR	7.981.000,00	70.500,73	7.981.000,00
15/03/2017	USD	1.810.889,57	GBP	1.424.400,00	44.867,00	1.668.697,28
15/03/2017	USD	5.263.412,89	INR	358.500.000,00	22.390,07	5.007.958,20
15/03/2017	USD	1.842.394,10	KRW	2.148.600.000,00	58.927,66	1.686.651,00
15/03/2017	USD	1.381.009,03	CAD	1.811.000,00	27.902,95	1.280.356,35
15/03/2017	USD	9.115,77	SGD	13.000,00	101,31	8.531,30
15/03/2017	GBP	37.008,38	CAD	61.700,00	-228,22	43.621,20
15/03/2017	GBP	523.622,81	USD	665.700,00	-16.678,06	631.144,84
15/03/2017	GBP	229.857,84	EUR	273.800,00	-4.895,77	273.800,00
15/03/2017	GBP	141.316,27	INR	12.237.000,00	-3.731,57	170.941,10
15/03/2017	GBP	123.368,18	CNY	1.100.000,00	-3.239,96	150.069,26
15/03/2017	GBP	50.501,81	KRW	74.876.000,00	443,66	58.777,66
15/03/2017	EUR	1.787.187,97	KRW	2.224.495.000,00	45.005,08	1.746.228,58
15/03/2017	EUR	4.387.875,06	CNY	32.845.000,00	-18.435,59	4.480.931,68
15/03/2017	EUR	5.028.612,30	INR	365.560.000,00	-21.758,12	5.106.580,75
15/03/2017	EUR	1.319.643,90	CAD	1.847.000,00	16.690,31	1.305.807,94
15/03/2017	EUR	9.263,52	SGD	14.100,00	27,44	9.253,18

# TreeTop Convertible SICAV

## Notes to the Financial Statements as at December 31<sup>st</sup>, 2016 (continued)

### Note 8 - Forward exchange contracts (continued)

Maturity	Ccy	Purchased Amount	Ccy	Sold Amount	Unrealized Gain/Loss	Commitment
15/03/2017	EUR	18.443.268,06	USD	19.684.500,00	-163.950,73	18.662.716,97
15/03/2017	INR	758.000,00	GBP	8.870,79	89,45	10.392,21
15/03/2017	USD	23.000.000,00	EUR	21.889.751,79	-150.728,32	21.889.751,79
15/03/2017	INR	460.000.000,00	EUR	6.411.775,36	-58.891,85	6.411.775,36
15/03/2017	USD	137.982,75	CAD	184.000,00	626,30	130.085,90
15/03/2017	USD	244.032,75	GBP	195.000,00	2.465,99	228.444,24
15/03/2017	USD	200.589,97	KRW	238.000.000,00	3.216,99	186.830,00
15/03/2017	INR	32.000.000,00	USD	468.658,47	-1.017,43	444.331,35
15/03/2017	GBP	6.734,69	KRW	10.000.000,00	47,49	7.850,00
15/03/2017	GBP	4.793,86	CAD	8.000,00	-35,02	5.655,91
15/03/2017	EUR	25.000,00	GBP	20.990,00	435,30	24.589,97
15/03/2017	USD	70.000,00	GBP	55.935,12	707,35	65.528,49
15/03/2017	INR	35.000.000,00	EUR	487.852,47	-4.480,90	487.852,47
15/03/2017	USD	1.300.000,00	EUR	1.237.246,84	-8.519,43	1.237.246,84
15/03/2017	EUR	101.068,44	KRW	126.000.000,00	2.387,60	98.910,00
15/03/2017	EUR	131.322,11	CAD	184.000,00	1.520,56	130.085,90
15/03/2017	INR	21.000.000,00	EUR	293.091,42	-3.072,80	293.091,42
15/03/2017	CNY	2.000.000,00	EUR	269.923,75	-1.764,06	269.923,75
15/03/2017	CAD	610.000,00	EUR	431.375,88	-1.297,46	431.375,88
15/03/2017	KRW	445.000.000,00	EUR	352.299,45	-3.879,45	352.299,45
15/03/2017	CAD	20.000,00	GBP	12.083,13	-39,42	14.155,49
15/03/2017	KRW	13.000.000,00	GBP	8.792,64	-111,07	10.300,66
15/03/2017	INR	500.000,00	GBP	5.961,82	-71,63	6.984,33
15/03/2017	GBP	28.499,31	USD	35.000,00	258,56	33.183,22
15/03/2017	GBP	16.231,70	EUR	19.000,00	-10,53	19.000,00
15/03/2017	INR	21.000.000,00	USD	307.512,08	-624,62	291.549,74
15/03/2017	KRW	430.000.000,00	USD	357.172,52	-928,86	338.632,41
15/03/2017	CAD	600.000,00	USD	445.179,82	2.238,60	422.071,43
15/03/2017	KRW	5.000.000.000,00	EUR	3.958.420,75	-43.589,22	3.958.420,75
15/03/2017	CAD	5.000.000,00	EUR	3.535.867,84	-10.634,93	3.535.867,84
15/03/2017	CNY	30.000.000,00	EUR	4.048.856,20	-26.460,84	4.048.856,20
15/03/2017	INR	210.000.000,00	EUR	2.930.914,17	-30.727,98	2.930.914,17
				Total	-8.010.017,96	451.107.868,43



# TreeTop Convertible SICAV

## Notes to the Financial Statements as at December 31<sup>st</sup>, 2016 (continued)

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### Note 8 - Administration and domiciliary Fees

In consideration of its services as the SICAV's domiciliary agent, Banque Degroof Petercam Luxembourg S.A. (\*) shall receive a lump sum domiciliation fee of EUR 2.500 p.a. per Sub-Fund, plus a lump sum of EUR 1.000 p.a. per Sub-Fund per marketing country.

In consideration of its services as the SICAV's administrative agent, Banque Degroof Petercam Luxembourg S.A. (\*) shall receive an annual fee determined as a percentage of the average net asset value of each Sub-Fund as follows:

- 0,080% on the tranche of the average net asset value comprised between 0 and 125 million EUR ;

- 0,065% on the tranche of the average net asset value over 125 million EUR.

### Note 9 - Custodian bank fee and transfer agent fee

In consideration of its services as the SICAV's Custodian Bank and Transfer Agent, Banque Degroof Petercam Luxembourg S.A. (\*) shall receive an annual fee (transaction fees excluded) determined as a percentage of the average net asset value of each Sub-Fund as follows :

- 0,20% on the tranche of the average net asset value comprised between 0 million and 125 million EUR;

- 0,175% on the tranche of the average net asset value over 125 million EUR.

The Custodian Bank's commissions are subject to VAT at the current rate of 14% solely for the portion of these commissions relative to the Custodian Bank's control and supervisory services.

### Note 10 - Dividends

The payment of dividends on distribution classes was decided as follows :

Sub-fund	Payment date	Share Classes	Dividend
TreeTop Convertible International	31 May 2016	Class C, Dist.	GBP 4,00
TreeTop Convertible International	31 May 2016	Class D, Dist.	EUR 8,00

(\*) Cf Note 12

# TreeTop Convertible SICAV

## Notes to the Financial Statements as at December 31<sup>st</sup>, 2016 (continued)

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### Note 11 - Risk management

Global exposure is a measure designed to limit the leverage generated by each Sub-Fund through the use of financial derivative instruments. In order to calculate global exposure, each Sub-Fund will use the commitment approach. This method consist to convert all derivatives positions to the market value of the equivalent position of underlying asset and to aggregate these.

### Note 12 - Events

All the Bearer Shares which have not been deposited at Banque Degroof Petercam Luxembourg S.A. as at February 18<sup>th</sup>, 2016 have been bought back at the NAV as at February 19<sup>th</sup>, 2016 and following the terms of the prospectus the buy-back price has been transferred to the "Caisse de Consignation".

The Board of Directors of the SICAV has decided to resume the issue of new shares for the TreeTop Convertible International Sub-Fund as from February 17<sup>th</sup>, 2016.

As at February 25<sup>th</sup>, 2016, the denomination of PrivatBank Degroof S.A. has been changed to Bank Degroof Petercam Spain S.A..

As at April 1<sup>st</sup>, 2016, the denomination of Banque Degroof Luxembourg S.A. has been changed to Banque Degroof Petercam Luxembourg S.A..

# TreeTop Convertible SICAV

## Other Information (Unaudited)

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### Mentions relative to the transparency of the securities financing transactions and of reuse

As at December 31st, 2016 the SICAV does not resort in any securities financing transactions and total return swaps such as these terms are defined by the Regulation (EU) 2015/2365 of the European Parliament and the Council of November 25th, 2015 concerning the transparency of the securities financing transactions and of reuse.

### Remuneration Policy

According to the Directive 2014/91/EU UCITS V transposed into Luxembourg Law by the law of May 10th, 2016, the annual report of an UCITS has to contain various information concerning the remuneration policy applied by the Management company. ESMA specified in February, 2016 that for annual reports relating to a period which ends after March 18th, 2016 but before the Management Company did not know a whole accounting year under the aegis of the new obligations, the addition of the mentions concerning the remuneration in the report is not compulsory. The Management Company not having one year of whole performance on December 31st, 2016 since March 18th, 2016, the data concerning the remuneration will be integrated into the financial statements of the SICAV as at December 31st, 2017.