

**French Mutual Fund**

**EDMOND DE ROTHSCHILD**  
**EMERGING**  
**CONVERTIBLES**

**ANNUAL REPORT**

as at 30 December 2016

Management company: Edmond De Rothschild Asset Management (France)

Custodian: Edmond De Rothschild (France)

Statutory auditor: KPMG Audit

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## 1. CHARACTERISTICS OF THE UCI

- **LEGAL FORM**

French mutual fund.

- **CLASSIFICATION**

Diversified

- **PROCEDURES FOR DETERMINING AND ALLOCATING DISTRIBUTABLE INCOME**

<i>Distributable income</i>	<i>A, B, CR, I, J, R and SC units</i>
Allocation of net income	Accumulation
Allocation of net realised gains or losses	Accumulation

- **EXPOSURE TO OTHER FOREIGN UCITS, AIFS OR INVESTMENT FUNDS**

Up to 10% of its net assets.

- **MANAGEMENT OBJECTIVE**

The management objective of the UCITS, over a recommended investment period of more than three years, is to outperform its benchmark, the Thomson Reuters Growth Markets CB Index Hedged (USD) index for units denominated in US dollars, and the Thomson Reuters Growth Markets CB Index Hedged (EUR) index for units denominated in euros, by mainly selecting convertible or exchangeable bonds, the underlying share of which is that of a company conducting the majority of its business in emerging countries or which has its registered office in an emerging country.

- **BENCHMARK INDEX**

The UCITS' performance may be compared to the Thomson Reuters Growth Markets CB Index Hedged (USD) Index for units denominated in US dollars, and to the Thomson Reuters Growth Markets CB Index Hedged (EUR) Index for units denominated in euros, calculated with net coupons reinvested. The indexes are representative of the performance of emerging international convertible bonds, and may be viewed via the Bloomberg website (codes UCBIGRHE and UCBIGRHU, respectively) or the UBS website (with access codes).

As the management of the UCITS is not index-linked, its performance may vary significantly from its benchmark, which serves only as a basis for comparison.

- **INVESTMENT STRATEGY**

. Strategies used:

The Company will actively manage convertible bonds, exchangeable bonds, international securities and similar instruments. Up to 80% of the UCITS is invested in and/or exposed to such instruments. The exposure to emerging markets (mainly Asia excluding Japan, Latin America, South Africa and Eastern Europe) will represent at least 80% of the UCITS' net assets.

The investment process combines an obligatory global approach with individual stock-picking. We combine our macroeconomic analysis based on tracking capital flows, with stock-selection generated by the investment ideas of our equities team.

Technical analysis is determined on the basis of prospects for economic growth, preferring one asset class over another in order to position the UCITS in terms of its exposure to the equities market, as opposed to the credit market, volatility and the yield curve. We are increasingly managing portfolio convexity to maximize capital protection and upward potential.

We select convertible bonds with technical characteristics (delta, actuarial yield, credit spread, vega, rho, etc.) which match our expectations.

Securities are selected on the basis of their financial soundness and profitability. Our selection priorities are the ability to generate free cash flow and accelerate profit growth. All the UCITS's assets may consist of "High Yield" bonds, speculative investments which may have a low rating or not be rated at all, rather than "Investment Grade" bonds with a low risk of default by their issuers. Convertible or exchangeable bonds denominated in currencies other than the USD or the euro may be included in the assets. Similarly, up to 10% of net assets may consist of equity-linked securities, warrants, options, bonds, synthetic convertible bonds and any type of debt securities offering access to equity (OCEANE bonds or SUKUNK bonds, for example), denominated in USD or in a currency other than the USD. The introduction of convertible equivalents, with call options on shares and bonds, will thus provide an additional source of performance.

Stock selection does not rely solely or mechanically on ratings. It is mainly based on internal analysis. Prior to each investment decision, the Management Company analyses each security on criteria other than its rating. If an issuer in the High Yield category has its rating downgraded, the Management Company must conduct an in-depth analysis to decide whether to sell the security or keep it if the rating objective is respected.

The portfolio's sensitivity to interest rate products will remain at between 0 and 8.

The UCITS may be exposed to currency risk for up to 50% of its net assets, whatever the currency of denomination of the unit bought by the investor.

. On assets:

▪ *Equities:*

The UCITS may hold equities on an ancillary basis, with no constraints in terms of capitalisation or geographic area.

▪ *Convertible and similar bonds:*

At least 80% of the UCITS' assets are continually invested in and/or exposed to convertible bonds, bonds exchangeable for international securities and similar securities. Exposure to emerging markets (mainly Asia excluding Japan, Latin America, South Africa and Eastern Europe) will represent at least 80% of the UCITS' net assets.

The UCITS may also invest in both Investment Grade (with a low risk of default by the issuer) and High Yield securities.

Investment Grade securities held in portfolio are rated at least BBB- by Standard & Poor's (S&P) or equivalent when they are bought, or have an equivalent internal rating from the Management Company.

High Yield securities are rated strictly below BBB- S&P or equivalent, or have an equivalent internal rating from the Management Company) or are unrated, and may be speculative in nature.

▪ *Other debt securities and money market instruments:*

For cash management purposes, up to 20% of the UCITS' assets may comprise debt securities or bonds denominated in USD.

These instruments, which have a residual term of less than three months, will be issued without restrictions in terms of allocation between public and private debt, by sovereign states or similar institutions or entities with a short-term rating of A2 or higher, as awarded by Standard & Poor's or any other equivalent rating awarded by another independent agency, or have an equivalent internal rating from the Management Company.

The UCITS may also hold a maximum of 10% of its assets in bonds denominated in USD or other currencies for the purpose of achieving its management objective.

▪ *Shares or units of other foreign UCITS, AIFs or investment funds:*

The UCITS may hold up to 10% of its assets in units or shares of French or foreign UCITS or French AIFs classed as general purpose, rates or diversified investment funds, including convertible bonds and index-linked funds.

Within this 10% limit, the UCITS may also invest in shares or units of foreign AIFs and/or foreign investment funds which meet the regulatory eligibility criteria. These UCIs and investment funds may be managed by the Management Company or by an affiliated company.

▪ *Derivatives:*

The UCITS may participate in regulated, organised or over-the-counter markets up to a limit of its net assets (i.e. a maximum exposure of 200% of its net assets) in order to enter into:

- Forward currency, swaps, currency futures or options contracts to hedge the currency risk from assets denominated in other currencies;
- Futures or options contracts to hedge equity market risk or portfolio interest rate risk or to help increase exposure to interest rates or equity markets and, to a lesser degree,
- Equity options;

In order to significantly reduce the total counterparty risk for OTC instruments, the Management Company may receive cash collateral which will be deposited with the Custodian and will not be reinvested.

▪ *Embedded derivatives:*

To achieve its management objective, the UCITS may also invest in financial instruments containing embedded derivatives in order to expose it to international equity or interest rate markets. In particular, the UCITS may purchase synthetic bonds, EMTNs (Euro Medium Term Notes), indexed bonds, warrants and participation certificates. All these transactions shall be executed within an overall off-balance sheet commitment limit of 100% of the net assets.

The UCITS may hold 100% of its net assets in convertible bonds.

▪ *Deposits:*

None.

▪ *Cash borrowings:*

The UCITS does not intend to be a cash borrower. However, a debtor position may exist from time to time as a result of transactions associated with the UCITS' cash flow (investments and divestments in progress, subscription/redemption transactions, etc.), up to a limit of 10% of the net assets.

▪ *Temporary purchases and sales of securities:*

For the purposes of efficient portfolio management and without deviating from its investment objectives, the UCITS may make temporary purchases and sales of securities involving eligible financial securities or money market instruments, up to 10% of its net assets. More precisely, these transactions will consist of repurchase agreements linked to interest rate and credit securities of eurozone countries, and will be executed as part of the cash management and/or optimisation of the UCITS' income. The expected proportion of assets under management which will be the subject of such transactions will be 10% of net assets.

The counterparties to these transactions are first-rate credit institutions based in OECD countries with a minimum rating of Investment Grade (a rating of at least BBB- by Standard & Poor's or equivalent or a rating deemed equivalent by the Management Company).

These counterparties do not have any influence on the composition or management of the UCITS portfolio. In order to significantly reduce the total counterparty risk for OTC instruments, the Management Company may receive cash collateral which will be deposited with the Custodian and will not be reinvested.

Further information about payments for temporary sales and purchases is provided in the Charges and Fees section.

- **RISK PROFILE**

Your money will be invested primarily in financial instruments selected by the Management Company. These instruments will be subject to market trends and fluctuations.

The risk factors described below are not exhaustive. Each investor is responsible for analysing the risk associated with such investments and for forming their own opinion independently of the Edmond de Rothschild Group by obtaining as much specialist advice on such matters as is necessary in order to ensure that this investment is appropriate for his or her financial position and legal circumstances, and their investment horizon.

- Risk of capital loss:

The UCITS does not offer any guarantee or protection. Investors may, therefore, not recover the full amount of the capital initially invested, even if they retain the units for the whole of the recommended investment period.

- Discretionary management risk:

The discretionary management style is based on anticipating trends in the various markets (equities, bonds, money market, commodities and currencies). There is a risk that the UCITS may not, at all times, be invested in the best-performing markets. The performance of the UCITS may therefore fall below the management objective, and a drop in its net asset value may lead to negative performance.

- Risk linked to holding convertible bonds:

The value of convertible bonds depends on a number of factors, including interest rate levels, changes in the value of underlying equities, and changes in the value of the derivatives embedded in convertible bonds. These various factors may cause a fall in the net asset value of the UCITS.

- Credit risk:

The main risk linked to debt securities and/or money market instruments such as treasury bills (BTFs and BTANs), commercial paper and CDs is default by the issuer, due either to non-payment of interest and/or non-repayment of capital. Credit risk is also associated with the downgrading of an issuer. Unitholders are reminded that the net asset value of the UCITS is likely to fall if an overall loss is recorded on a transaction following default by a counterparty. The inclusion of debt securities in the portfolio, whether directly or through UCIs, exposes the UCITS to the effects of changes in credit quality.

- Credit risk linked to investment in speculative securities:

The UCITS may invest in issues from companies rated as non-investment grade by a rating agency (with a rating below BBB- according to Standard & Poor's or equivalent) or with an equivalent internal rating from the Management Company. These issues are known as speculative securities and present a higher risk of issuer default. This UCITS should therefore be considered to be partly speculative and intended specifically for investors aware of the risks inherent in investing in such securities. As a result, the use of High Yield securities (speculative securities with a higher risk of issuer default) may incur a greater risk of a fall in the net asset value.

- Interest rate risk:

Exposure to interest rate products (debt securities and money market instruments) makes the UCITS sensitive to interest rate fluctuations. Interest rate risk may result in a fall in the value of the security and therefore in the net asset value of the UCITS, in the event of a change in the yield curve.

- Risk associated with investing in emerging markets:

The UCITS may be exposed to emerging markets. In addition to the risks specific to each issuing company, there are also external risks, particularly in these markets. Furthermore, investors are reminded that the operating and oversight conditions in these markets may differ from the standards prevailing on major international exchanges. As a result, holding these securities may increase the portfolio's level of risk.

A fall in the market may thus be more pronounced and rapid than in developed countries, the net asset value may fall further and more rapidly, and finally, the companies held in the portfolio may have governments as shareholders.

- Currency risk:

The capital may be exposed to currency risk when the securities or investments of which it is composed are denominated in a currency other than that of the UCITS. Currency risk corresponds to the risk of a drop in the exchange rate for the listing currency of financial instruments in the portfolio against the benchmark currency of the UCITS, the US dollar, which may result in a drop in the net asset value.

- Equity risk:

The value of a share may change for reasons specific to the issuing company, but also in response to external, political or economic factors. Fluctuations in the equity and convertible bond markets, the performance of which is partly correlated with that of the underlying equities, may lead to substantial variations in the net assets, which could have a negative impact on the performance of the UCITS' net asset value.

- Risk associated with financial and counterparty contract commitments

The use of financial contracts may result in the risk of a sharper, more abrupt fall in the net asset value than in the markets in which the UCITS invests. Counterparty risk results from the use by the UCITS of financial contracts traded on OTC markets and/or from temporary purchases and sales of securities. Such transactions potentially expose the UCITS to the risk of counterparty default and to the possible risk of a fall in its net asset value.

- Liquidity risk:

The markets in which the UCITS trades may occasionally be affected by a lack of liquidity. These market conditions may affect the prices at which the UCITS may have to liquidate, initiate or modify positions.

- Risk associated with derivatives:

The UCITS may use of financial futures (derivatives).

The use of financial contracts may result in the risk of a sharper, more abrupt fall in the net asset value than in the markets in which the UCITS invests.

- Risks associated with temporary purchases and sales of securities:

The use of these transactions and the management of their guarantees may involve certain specific risks such as operational risks or custody risk. These transactions may therefore have a negative effect on the net asset value of the UCITS.

- Legal risk:

This is the risk of inadequately drafting contracts concluded with counterparties for temporary purchases and sales of securities.

• **GUARANTEE OR PROTECTION**

None.

• **TARGET SUBSCRIBERS AND TYPICAL INVESTOR PROFILE**

A units are intended for all investors wishing to invest in US dollars.

B units are intended for all investors wishing to invest in euros.

I and R units are intended for legal entities with the capacity to make an initial subscription of USD 500,000.

J units are intended for legal entities with the capacity to make an initial subscription of €500,000.

CR units are available to retail investors; this unit is exclusively intended to be marketed (directly and/or via unit-linked life insurance and endowment policies) through intermediaries selected by the Management Company, whose business model or the nature of the services supplied do not allow them to receive remuneration from the Management Company.

SC units are intended for legal entities with the capacity to make an initial subscription of €5,000,000.

This UCITS is specifically intended for investors wishing to use this UCITS to increase their savings through discretionary management involving the use of instruments mainly traded on the convertible bond markets, regardless of issue size, rating or country risk.

The units of this UCITS are not and will not be registered in the United States under the US Securities Act of 1933, as amended ("Securities Act 1933"), or under any other law of the United States. These units may not be offered, sold or transferred in the United States (including its territories and possessions) or benefit, directly or indirectly, any US Person (within the meaning of Regulation S of the Securities Act 1933).

The amount which is reasonable to invest in this UCITS depends on your individual circumstances. To determine this amount, investors are advised to seek professional advice in order to diversify their investments and determine the proportion of their financial portfolio or assets to be invested in this UCITS, more specifically in view of: the recommended investment period; exposure to the aforementioned risks; their personal wealth; their requirements; and to their specific objectives. In any event, unitholders must diversify their portfolio sufficiently to avoid being exposed solely to the risks of this UCITS.

- - Minimum recommended investment period: more than 3 years.

## 2. CHANGES AFFECTING THE UCI

- 1- The Statutory Auditor's term of office renewed on 01/01/2016.
- 2- Performance updated on 31/12/2015, TFC updated on 31/12/2015 and various regulatory and other changes on 05/02/2016.
- 3- Various regulatory changes (UCITS V, SFTR, etc.) and update of SRRI on 25/07/2016.

### 3. MANAGEMENT REPORT

#### January

International equity markets began 2016 sharply down, in a context of collapsed oil prices, fears of a slowdown in international growth and of a devaluation of the yuan. Mario Draghi announced that the ECB would take new measures to inject more liquidity into the market. He said that the ECB had "the capacity, the will and the determination to act" and that his action had "no limit". The Fed remained more conciliatory. In Japan, the central bank announced its decision to adopt negative interest rates and reduce the rate of certain surplus reserves to 0.1% with the goal of relaunching the economy. In China, the yuan remained under pressure, given omnipresent fears of devaluation despite the possibility of a soft landing based on projections of its growth rate stabilising at about 6.3% in 2016. We approached 2016 with a certain degree of prudence and relatively low sensitivity to equity markets of approximately 20%, and some solid positions on a high bond floor such as Hengan, Kingsoft and Haitian. We took four new positions in the Fund in January. We added two recent issues at attractive levels compared with the end-2015 issue price: the China Overseas Land & Investment convertible bond and the Baosteel bond exchangeable for China Construction Bank shares. We also purchased the Larsen Toubro convertible bond following the announcement of this Indian industrial firm's strong results. We also took a position in the Latin American eCommerce company, Mercado Libre. We profited from our position in the Khazanah/IHH exchangeable bond, in the knowledge that IHH, a Malaysian hospital and health services provider, had expanded its operations in China and Myanmar. We did not participate in two new issues in China in January, China Railway Construction Company and CRRC because we have misgivings about firms which issue convertible bonds to finance their working capital requirements. We were penalised by Shenzhou's high delta shares, which suffered from a massive sell-off of its shares at the start of the month.

#### February

February was characterised by strong volatility and two distinct market phases. Firstly, negative, phase lasted until 11 February. It was characterised by a wave of risk aversion, reinforced by concerns in the financial sector, in particular European banks, and by a rush to quality assets such as gold, as well as government bonds, knowing that the yield on Japan's 10-year debt had, for the first time ever, reached negative levels. The second part of the month was marked by a sharp upturn in risk assets. This trend reversal can be explained by the central bank of China's renewed support for its economy and currency, and the OPEC discussions on regulating the production of oil. We took two new positions last month. First, the CEMEX convertible bond of 2018, an instrument with an interesting profile for a short-maturity convertible bond. We also believe that this Mexican construction materials company is able to reduce its investment spending and sell some of its underperforming assets. Secondly, the non-convertible bond of 2023 issued by Lukoil, a Russian integrated oil company which is benefiting from the depreciation of the rouble, with lower costs and investment spending in local currency. Furthermore, the possible lifting of sanctions would have a positive impact on Lukoil credit. We took advantage of our position in Yandex convertible bonds.

The company announced good results for 2015, with revenues up 18%, and has bought its headquarters to limit the potential currency risk on its rent. Mercado Libre announced solid fourth-quarter results, with revenues up 12%, reflecting the growth in sales in Argentina. We were penalised by our position in Samvardhana Motherson, following the announcement of its possible acquisition of International Automotive Components for about USD 800 million, knowing that the lack of information about the way it was funding this transaction dragged its bonds down. We sold the rest of our position in SanDisk because of doubts over the execution of its acquisition of Western Digital. We benefited from our position in Steinhoff convertible bonds, given its takeover bid for Home Retail in the United Kingdom and its very good results and Pepkor's organic growth of 25%.

## March

After the year's lows reached in February, equity markets rebounded strongly in March (MSCI World +5.27% and MSCI Emerging +13.03%), closely following the rebound in oil prices (+13.60%) for WTI. This improvement in share prices was also boosted by central banks at international level. The Fed was now planning two interest rate hikes in 2016 and recommending a gradual normalisation of monetary policy. Improvements in the American jobs market and forecasts of a rise in inflation were counterbalanced by uncertainties over international growth. The result was a weaker dollar which supports commodity prices. The ECB announced extraordinary measures, including a fall in the refinancing rate and deposit rate, as well as the inclusion of corporate bonds in the asset purchase programme which also switched credit markets to green. Chinese equities were boosted in part by a relaxation of controls on margin trading. China Securities Finance Corp began offering short term loans again, and reduced the rates on long term loans.

We took several new positions in the Fund in January. The convertible bonds of 2019 issued by Yue Xiu Transport (a Chinese toll road firm) benefits from protection for its current dividends and presents a very attractive profile. The ASM Pacific convertible of 2019 also has an interesting profile. The bond is trading at just three points above its floor and we believe that this semiconductor company will benefit from a cycle inversion in this sector. The National Bank of Abu Dhabi of 2018: this shorter maturity convertible offers positive yield and a very attractive valuation, given its very good credit rating (AA-). We bought Ctrip, a Chinese travel services company, ahead of its results. We believe that this company could benefit from the growth of its market and its intention to expand internationally. We took profits on part of our high delta positions in the Shenzou convertible and the Khazanah/IHH exchangeable bond, following their strong performance. We increased our positions in the Lukoil non-convertible bond of 2023 and the Baosteel-China Construction Bank exchangeable bond. We also benefited from our position in the Steinhoff 2020 convertible of, since its share price had risen 23% in March following the good response to its takeover bid for Darty. The Cemex convertible bond rose, after the company's management revised its cash flow projections upwards and announced its determination to recover an investment grade rating. The OSIM convertibles rose following the announcement by its CEO of his intention to privatise the company. We also booked gains on the non exchangeable Motherson bond, and on the Mercado Libre and Yandex convertibles, among others. We expect primary market activity to resume after the end of the corporate reporting season for Hong Kong listed companies in March.

## April

International rates remain low, the market is betting less on a rise in the dollar (+15.52% according to the WTI), central banks have left their monetary policy unchanged and have turned their attention away from parities (the Bank of Japan allowed the yen to approach the 100 level against the dollar). The ECB emphasised that it would use all the tools available to it if additional stimulation measures were necessary (more negative interest rates?). In the United States, international risks are receding and economic data are improving slightly, which could lead to a hike in rates in June. In Japan, stimulation measures are now only a question of time. If the government announces the implementation of a fiscal policy (at the same time as the G7), the meeting will be set for 16 June. We remain cautious on China because, even though the risk of a hard landing and a devaluation of the yuan seems to be receding gradually, corporate viability remains the main concern. There were seven technical bond defaults in early 2016 (the same as for the whole of 2015). We benefited this month from our position in Yandex, Mercado Libre and Cemex. While announcing strong results, these companies benefited from positive momentum in their respective regions (particularly in Latin America with the impeachment of the President of Brazil, and in Argentina with the largest-ever issue of emerging country bonds which attracted close to USD 70 billion of demand for only USD 16.5 billion of bonds on offer). Credit spreads in the region have narrowed sharply. In Russia, the contraction in the economy seems to be slowing. We exchanged our position in the Cemex of 2018 for the 3.72% of 2020 (which offers a higher yield and is trading at a level near its floor), convinced by the very good health of the company, which announced better than expected first-quarter results and by its cost reductions through asset disposals. In the primary market, we participated in the Severstal transaction, seeing the company as currently cheap compared to its rivals (EV/EBITDA of 5.5 versus 7 for Arcelor).

We also invested in the 2021 government bond issue for Cirsa (which owns and operates slot machines, casinos and bingo halls in Spain, Italy and South America). We have confidence in this company which recorded solid results in 2015, reflecting strong underlying growth, deleveraging and cost reduction efforts. We took profits in our high delta positions, Mercado Libre and the Kazanah/IHH exchangeable bond, following strong performance in the stock.

#### May

Equity markets bounced back strongly in the second part of the month, with the MSCI Europe and MSCI World indices up 1.8% in local currency, versus a 0.9% improvement in the European convertibles market and a 0.6% improvement in the international convertibles market. The Fed adopted a more aggressive approach, reflecting the improvement in the job market and an inflation rate above the target 2%. Expectations of a rise in interest rates in June or July should make investors more confident in the American economy. In Europe, and particularly in the eurozone, expectations for EPS growth are still positive, i.e. +3% by end 2016, and we believe that they could accelerate in the second part of the year. European governments finally signed an agreement with Greece, and the Austrian Green Party had some success in the elections. Certain risk factors persist, such as Brexit, the deceleration of growth in China, and the inability of monetary policy to relaunch the economy in Japan. Brent stabilised at the 48/50 level. In this context, our attraction for equities remains defensive.

In Europe, primary issues are still more dynamic than in other regions. BP, Wendel and MTU have issued convertible bonds. In the United States, new issues have been particularly weak, totalling 4 billion dollars, versus 13.8 billion in Europe. Also noteworthy this month, we added some call options on TEVA, convinced that the possible acquisition of Allegan's generic-drugs activity for 40 billion dollars would add value-potential to the company (positioning the group among the top five players in the generic sector in the United States?). We are also following the product SD-809, design to treat chorea, its status as "breakthrough therapy" expected to be approved shortly by the FDA. This drug could become a star product. Among the main contributors to performance, we can cite Larsen Toubro whose results published in the third quarter exceeded market estimates for all parameters (revenue up 18.3% on a rolling year basis). Following their publication, its stock rose nearly 19%. Mercado Libre also posted positive performance (share price up 10%) upon the announcement of market-share gains in Brazil (its competition having recorded a contraction in volumes of goods as well as net losses in Q1 2016). We were also somewhat penalised by our position in Suzuki (revenues down 18% in May, following the revelation of improper methods used to test fuel consumption), but we still believe that the Gujarat plant which will start production next year should add substantial upward potential.

#### June

As elsewhere in the world, the only question in emerging countries in June was the Brexit referendum. Following the announcement of the result at dawn on Friday 24 June, the Eurostoxx plunged 8.62% (the biggest falls affecting top rate companies in the banking, insurance and tourism sectors). The shockwaves from this Black Friday went round the world, with the Nikkei Index closing 7.92% down, the S&P 3.59% down, and the MSCI Emerging 3.54% down. Over the full month, however, emerging market equities outperformed those of developed countries, with the MSCI Emerging Index up 3.3% while the MSCI World found itself 1.12% in the red. We found that credit spreads tightened with the approach of Brexit (in anticipation of a vote to remain in the EU) before widening to nearly 20 bp following Black Friday. Chinese equities benefited from favourable sentiment, in the knowledge that the UK takes only 2.6% of Chinese exports, and investors will be very carefully watching the PMI data for China in July. The Fund benefited from our exposure to Russia, with a 2.2% rise in the Lukoil non-exchangeable bond and a 3% rise in the Yandex convertible bond. The Ayala/Ayala Land exchangeable bond was also a positive contributor, reflecting the improvement in Philippine equity markets following the election of the new President, Rodrigo Duterte. From a negative perspective, the Fund was penalised by the position in Steinhoff, following the Brexit referendum results, because of its exposure to Europe and the United Kingdom. We were also penalised by our position in the Suzuki convertible bond, because of the strong appreciation of the currency against the dollar (102 yen to the dollar).

On the primary market, we participated in the new issue by Semiconductor Manufacturing International Corp (USD 450 million zero-coupon convertible bond). The recent Chinese government investment of CNY 20 billion in the company is a positive credit factor. We expect volatility to dominate the financial markets in the months ahead due to political developments. In this context, we believe that convertible bonds will continue to show interesting convexity, minimising downward risk while offering the possibility of benefiting from an upward movement in equities, as well significant diversification of asset classes. Additionally, it is possible that emerging markets will outperform developed markets in this environment, provided commodity prices remain healthy, the Chinese economy stabilises, and low interest rate policies continue.

#### July

International equity markets recorded a very strong performance in July, with the MSCI Emerging Index up 4.72%. Although uncertainties over Brexit and the accommodative measures of central banks risk lasting longer than expected, emerging markets (Russia and Brazil in particular) recorded strong performances, supported by general currency stabilisation, a recovery in base metal prices, and investors' search for yield. Oil prices have dropped by 15% since June, but emerging credit markets have not reacted to this slide, supported as they are by record capital inflows in the asset class, due to historically low yields. The Russian Central Bank left its key interest rates unchanged at 10.5%. In China, the PMI Services Index proved to be higher than expected, at 52.7. The month ended on a less optimistic note, with the Bank of Japan's disappointing policy (no lowering of interest rates, no bond purchases) and a growth rate in US GDP of only 1.2% in the second quarter. We benefited from our position in Steinhoff, since the convertible bonds rose 7 points from their lows after Brexit. Similarly, the Severstal share price rose following good Q2 results, having generated an impressive amount of available cash (USD 342 million).

Advanced Semiconductors Engineering also published strong results in Q2 and revised its outlook for Q3 upwards in anticipation of its deliveries of iPhone 7. We took a new position in the non-convertible bond issued by Suzano, a Brazilian pulp and paper company which benefits from a relatively low debt ratio (2.3) compared with its peers, as well as a market leader position in all its segments. We sold our position in Kingsoft because we remain circumspect about the company's credit profile and the monetisation plan for its subsidiary Cheetah Mobile. We increased our position in Ctrip's convertible bonds of 2020 since we expect that the company will publish very good results in Q3 reflecting their strong growth following the Qunar deal. Noteworthy on the primary market was the issue by CNPC subsidiary Kunlun Energy of convertible bonds for CNY 3.35 billion yuan, settled in CNH (Chinese offshore yuan).

#### August

The Jackson Hole meeting left investors wondering about the exact timing of the next interest rate rise, following Janet Yellen's statement that "the arguments in favour of a rate rise have strengthened in recent months". The MSCI Emerging Index returned 0.67% with marked outperformance in Chinese equities following the announcement of the Shenzhen-HK Connect connection and the publication of astonishingly positive results by firms such as Tencent which is regarded as a regional barometer. Haruhiko Kuroda confirmed that the Bank of Japan would not hesitate to apply monetary stimulation measures (buying assets, monetary based estimations and/or negative rates). Following these statements, the yen returned to its 103 parity. In Brazil, on a vote of 61 for and 20 against, the Senate declared Dilma Rousseff guilty of having short-circuited Congress. Emerging country debt continues to benefit from record capital inflows, which has supported the credit spreads. The EMBI spread is currently 360 bp. Looking forward, the next catalysing factor should be the OPEC meeting, in anticipation of a production freeze that could include Russia. On the primary market, two new issues were released by recurring issuers. Suntec, a Singapore REIT, launched a 1.75% bond on the market, for 220 million dollars. The Malaysian Khazanah Fund issued 400 million dollars of 0% exchangeable bonds in Beijing Enterprises Water structured as a sukuk. We took a new position in the Cez/Mol 2017 exchangeable bond as this short-term bond offers good upward convexity with an 11% premium. This share-exchangeable bond issued by the Hungarian integrated oil and gas company MOL, offers a cheap option for tracking oil and gas price movements.

We took profits from our position in the high-delta Mercado Libre, after the publication of higher than expected second-quarter revenues, up 29.4% on a rolling year basis at 199.6 million dollars. We also sold our position in the Shenzhou high-delta convertible bond, after its 25% share price rise in August following very positive results and a rating upgrade. SMIC bonds rebounded following the publication of very good results showing revenues up 26% on a rolling annual basis. This semiconductor company also revised its five-year revenue growth forecast to more than 20%. S&P also upgraded Severstal's credit rating to investment grade (BBB-), while Moody's raised DP World's rating to Baa2 with stable outlook in light of better credit parameters.

#### September

Volatility is back in the equity and debt markets, in the run-up to the US presidential elections and in anticipation of a US interest rate rise (60% probability of a rise in December). Emerging market equities again had a positive month (up 1.09%). OPEC surprised markets by agreeing to reduce production for the first time in eight years. This decision still has to be ratified by the next OPEC meeting on 30 November, but it ensures a floor price of about USD 45-50 per barrel. The Caixin PMI manufacturing index was 50.1 in September, the third rise in a row, suggesting some stabilisation of the Chinese economy. The Russia's central bank reduced its key interest rate to 10% because of the reduction in inflation expectations for 2017. We anticipate further initiatives by the Bank of Japan which has left interest rates and the asset programmes unchanged, but has introduced a new framework for controlling the yield curve. On the primary market, we participated in the issue of a five-year bond by Charoen Pokphand Foods PCL (the leading Thai meat producer and animal feed producer) exchangeable for shares in CP All (the largest operator of convenience stores in the country). We believe that the Bank of Thailand's easing policy could make borrowing easier and that the company is likely to offer strong growth by opening new stores. We took profits from our call option on Tencent, after its share price rose by 20% following low levels in August. The Fund was penalised by exposure to ENN Energy because of the slide in its share price following the strengthening of controls on gas distribution margins aimed at reducing costs for end-consumers. Among the top contributors to performance were the Yandex convertible bond which is unlisted but high quality, and is gradually returning to its par value.

#### October

The American elections, the rise in US interest rates, the activation of Article 50 of the Treaty of Lisbon, the tapering of ECB purchases of securities, and potentially unfruitful OPEC negotiations are investors' core concerns. Against this background, equity markets remain agitated and have been experiencing ups and downs since the announcement of corporate results, with the MSCI Emerging Index ending the month barely positive, up 0.18%. In October, the PMI Index for China climbed to its highest level since July 2014, driven by new orders. Oil prices are gradually passing the barrier of USD 50, while Iraq (the second biggest OPEC producer) has started final negotiations for an agreement to stabilise oil markets (arguing that the country "should be exempt from the obligation to reduce output because it is involved in a war", according to Oil Minister Jabbar Al-Luaibi). Emerging markets are still attractive, with countries focusing their efforts on structural reforms to reduce imbalances (like Brazil) and on macro-economic tools (like Russia and Thailand). Caution was still the watchword where the US Presidential elections on 8 November were concerned. We took profits from Severstal convertible bonds and remain confident in this company, taking into consideration the improvement in price dynamics in the international steel sector. Indeed, the company has just published good third-quarter results, with EBITDA up 11% Q-on-Q. We also took profits from the SMIC high delta bond of 2018, since its share price performed strongly in October following the company's announcement of a project to expand the capacity of the Tianjin plant, which will make it a world leader in the production of 8-inch steel tube. The Fund was penalised in October by exposure to Brait, a South African holding company with investments in the United Kingdom, penalised by market fears of a "hard" Brexit.

On the primary market, we note the launch by Haitong International Securities of a zero coupon convertible bond to raise HKD 3.88 billion. Haitong International Securities is a Hong Kong broking and financial services firm.

#### November

Emerging country equities ended November down 2.18% following the election of Donald Trump as President of the United States. Our Emerging Convertible Bond Fund proved its strength and convexity, declining only 0.49% over the course of the month. Financial markets talk about a bullish scenario following Trump's election and the prospect of "tapering" (a reduction in quantitative easing, which continues to push US interest rates upwards) is driving the dollar to above 10-year highs. For the first time since 2008, OPEC agreed to reduce output by 1.2 million barrels per day to 32.5 million bpd, since Iran had signed an agreement to keep its production to pre-sanction levels, and West Texas Intermediate (WTI) currently topping USD 50 dollars per barrel. The People's Bank of China (its central bank) dropped its daily benchmark rate in late November and the CNY hit an eight-year low. We took advantage of weakening Mexican equities – linked to Trump's election – and increased our exposure to Cemex, since we believe that the company is on the right track to eventually reducing its debt. We reduced our exposure to Brait in light of the mediocre results of New-Look. We took profits from Several high delta convertibles of 2021, since its share price was rising strongly because of growing demand for industrial metals. The Fund also benefited from its exposure to Ctrip, since the travel services company had announced the acquisition of the UK company Skyscanner for GBP 1.4 billion. Our position in Larsen Toubro suffered, as did the rest of the Indian market, from the demonetisation reform. Our positions in non-exchangeable bonds such as Lukoil and Suzano declined as interest rates rose. We took a new position in the 2019 bond issued by MNV (a Hungarian sovereign fund) exchangeable for shares in Richter Gedeon. It has an attractive profile, with a premium of only 17% and a cheap valuation since the recent upward revision of Hungarian debt to Investment Grade. We participated in the new issue from BE Semiconductor Industries (2.5% 2023 convertible bond to raise 125 million euros). This Dutch company, which generates 78% of its revenue in Asia, could take advantage of M&As and deliver more-sustainable margins. On the primary market for emerging country convertible bonds, Valin Ming Investments issued 355 million dollars of 5-year bonds convertible to Fortescue Metals (an Australian iron ore producer). China Yangtze Power, a Chinese hydropower company, issued two 5-year bonds to raise 200 million euros and 300 million dollars respectively, exchangeable for China Construction Bank shares.

#### December

Expecting the Fed to raise interest rates in three stages in 2017, a stronger dollar weighed on emerging market equities which returned only 0.14% during the course of the month. World commodity prices seem, however, to be stabilising (WTI crude hovering at \$53 a barrel and gold near \$1,150 an ounce) against a background of uncertain regional politics. Moody's expects the default rate on Latin American speculative grade corporate bonds to climb past 5.6% in June 2016 to 4.2% by August 2017.

Also, in reaction to comments by Mr. Trump on abolishing free trade and extending protectionism, China made it known that it might develop its presence in Latin America (for example, Brazil reported a trade surplus of USD 24 million with China during the 12 months to October). The OPEC / non-OPEC agreement could subsequently drive oil prices upwards, so we decided to increase our position in the very convex exchangeable bond issued by CEZ/MOL (Hungarian oil and gas company) which rose by 10 points in December thanks to the bond's high gamma. We also increased our position in the Steinhoff convertible of 2022, taking advantage of its low stock price following the announcement of the merger of Steinhoff's African retail operations, under which Steinhoff will receive new Shoprite shares in exchange for the assets. No valuation of assets and no exchange ratio were announced. On the primary market, we participated in the new issue by Teradyne in the US, a semiconductor testing and services supplier (70% of its revenue from the APAC region), which launched a USD 450 million convertible bond with a coupon of 1.25%. Furthermore, China Railway Construction issued a convertible bond for CNY 3.45 billion with a 1.5% coupon and five year maturity.

The A units recorded a performance of 5.05% over the year, compared with a performance of 3.54% for their benchmark index.

The B units recorded a performance of 3.50% over the year, compared with a performance of 2.49% for their benchmark index.

The I units recorded a performance of 5.72% over the year, compared with a performance of 3.54% for their benchmark index.

The J units recorded a performance of 4.20% over the year, compared with a performance of 2.49% for their benchmark index.

The R units recorded a performance of 6.13% over the year, compared with a performance of 3.54% for their benchmark index.

*Past performance is not an indication of future performance.*

### Main portfolio changes during the financial year

Securities	Changes ("Accounting currency")	
	Purchases	Sales
EDR EM CORP BD I USD	1,229,091.00	1,279,899.00
CEMEX SAB 3.75% 15/03/2018 CV	710,562.35	605,583.63
MERCADOLIBRE 2.25% 01-07-19	519,000.00	648,644.26
Edmond de Rothschild USD Corporate Short Term C	10,131.48	1,046,980.30
INDAH CAPITAL LTD 0 24/10/2018 CV	382,380.95	623,554.66
CHINA OVERS FIN KY 0% 02/04/21	0.00	736,500.00
HENGAN 0 06/27/18	0.00	683,936.65
SHENZHOU INTL 0.5% 18-06-19 CV	0.00	673,775.71
SIIC 0 02/18/18	0.00	662,049.71
CEZ FINANCE 0% 08/17 CV	583,578.56	0.00

## Efficient portfolio management techniques and derivative financial instruments

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

- Exposure obtained through efficient portfolio management techniques: **None**.
- Exposure to underlyings obtained through financial derivative instruments: **75.28%**.

### b) Identity of counterparty(ies) to efficient portfolio management techniques and derivatives

Efficient management techniques	Derivative financial instruments (*)
	EDMOND DE ROTHSCHILD (France)

(\*) Excluding listed derivatives

### c) Financial guarantees received by the UCITS to reduce counterparty risk

Types of instrument	Amount in the portfolio currency
<b>Efficient management techniques</b> Financial securities Cash (**)	
<b>Total</b>	
<b>Derivative financial instruments</b> Financial securities Cash	
<b>Total</b>	

(\*\*) The Cash account also includes liquidity resulting from repurchase transactions.

### d) Operating income and expenses relating to efficient management techniques

Operating income and expenses	Amount in the portfolio currency
Income (***)	
<b>Total income</b>	
Direct operating expenses Indirect operating expenses	
<b>Total expenses</b>	

(\*\*\*) Income received on loans and repurchase agreements

**Transparency of Securities Financing Transactions and reuse of Financial Instruments – SFTR regulations – in the Fund's accounting currency (US Dollar)**

During the year, the Fund did not enter into any transaction under EU Regulation 2015/2365 concerning the transparency of securities financing transactions and reuse (the "SFTR Regulation").

## 4. REGULATORY INFORMATION

- **METHOD FOR CALCULATING TOTAL RISK (AMF INSTRUCTION no. 2011-15 – ARTICLE 16)**

The UCITS uses the commitment method to calculate the total risk associated with financial contracts.

- **INFORMATION ON TRANSACTIONS INVOLVING SECURITIES IN WHICH THE GROUP HAS A VERY SPECIFIC INTEREST**

Pursuant to Article 314-99 of the General Regulation of the AMF, unitholders/shareholders are hereby informed that the Fund has not made any investments in UCIs managed, or financial instruments issued by, the Management Companies or the other entities of the Edmond de Rothschild Group.

- **POLICY FOR SELECTING INTERMEDIARIES AND COUNTERPARTIES**

In accordance with Article 314-72 of the General Regulation of the AMF, the Management Company has set up a "Best Selection/Best Execution policy" for intermediaries and counterparties. The purpose of this policy is to select, according to various predetermined criteria, the brokers and intermediaries whose execution policy will achieve the best possible results when executing orders.

The policy is available for consultation on the website of Edmond de Rothschild Asset Management (France) at [www.edram.fr](http://www.edram.fr).

- **REPORT ON BROKERAGE FEES**

Pursuant to Article 314-82 of the General Regulation of the AMF, the Management Company has prepared a document entitled 'Report on Brokerage Fees'. This document is available on the website of Edmond de Rothschild Asset Management (France): [www.edram.fr](http://www.edram.fr).

- **COMMUNICATION OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE QUALITY (ESG) CRITERIA**

Information about the ESG criteria is available on the website [www.edram.fr](http://www.edram.fr).

- **REMUNERATION POLICY AND PRACTICES FOR THE MANAGER'S PERSONNEL**

Edmond de Rothschild Asset Management (France) operates a remuneration policy in accordance with European Directive 2009/65/EC (the "UCITS V Directive") and Article 314-85-2 of the General Regulation of the AMF applicable to UCITS. This remuneration policy encourages sound and effective risk management and discourages risk-taking which is incompatible with the risk profiles of the UCITS that it manages. The Management Company has put in place appropriate measures to prevent any conflict of interest.

The remuneration policy applies to all employees of the Management Company who are regarded as having a material impact on the Fund's risk profile (Material Risk Takers or "MRT") and are identified as such annually using a process involving the Human Resources and Risk & Compliance teams, and considers part of their remuneration as variable (which must remain reasonably proportional to their fixed remuneration) deferred for three years. This deferral, for employees exceeding a minimum threshold, varies in proportions ranging from a minimum of 40% to 60%, depending on the variable level. Furthermore, a portion of the variable remuneration for these employees will be indexed to the change in the value of a basket of financial instruments representative of the AIFs and UCITS managed by the Management Company and its affiliates. For MRT employees, the deferred variable remuneration will therefore comprise at least 50% in cash, indexed to a basket of instruments, and at most 50% of the other deferred components (Group Long Term Incentive Plan or, if applicable, deferred cash).

Details of the Management Company's remuneration policy can be viewed on the Company's website: <http://www.edmond-de-rothschild.com/site/France/fr/asset-management>.

You can obtain a paper copy free of charge by writing to the Management Company.

Variable payments are based on full-year performance. Quantitative data (total remuneration (fixed and variable) and aggregated remuneration broken down by employee category) will be disclosed in the annual report published in 2018.

## **5. STATUTORY AUDITOR'S CERTIFICATION**



**KPMG Audit**  
Tour Eqho  
2 avenue Gambetta  
CS 60055  
92066 Paris La Défense Cedex  
France

Telephone: +33 (0)1 55 68 68 68  
Fax: +33 (0)1 55 68 73 00  
Website: [www.kpmg.fr](http://www.kpmg.fr)

**French Mutual Fund**  
**EDMOND DE ROTHSCHILD EMERGING CONVERTIBLES**

47 rue du Faubourg Saint-Honoré, 75008 Paris, France

Statutory Auditor's Report on the Annual Financial Statements

Financial year ended 30 December 2016

Dear Sir, Madam,

In executing the task entrusted to us by the managing body of the Fund's Management Company, we hereby present our report for the financial year ended 30 December 2016 on:

- The audit of the annual financial statements of the EDMOND DE ROTHSCHILD EMERGING CONVERTIBLES Mutual Fund, which are attached to this report;
- the justification of our assessments;
- the specific verifications and the information required by law.

The annual financial statements were prepared by the Management Company. Our responsibility is to express an opinion on these financial statements based on our audit.

## **1 Opinion on the annual financial statements**

We conducted our audit in accordance with the professional audit standards applicable in France, which require us to carry out checks in order to obtain reasonable assurance that the annual financial statements are free of material misstatement. An audit involves examining, on a test basis or using other selection methods, the evidence justifying the sums and the information contained in the annual financial statements. It also includes assessing the accounting principles used and the significant estimates made in preparing the annual financial statements, as well as evaluating their overall presentation. We believe that the evidence gathered is sufficient and appropriate to justify our opinion.

We certify that the annual financial statements are, in conformity with French accounting rules and principles, accurate and consistent, and give a true and fair view of the financial performance of the previous financial year as well as the financial situation and assets of the Fund at the end of the financial year.

KPMG S.A., a French company and member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative, a Swiss entity.

*Société Anonyme (limited liability company)*  
an accountancy and auditing company with management and supervisory boards. Registered with the Paris *Tableau de l'Ordre* no. 14-30080101 and member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles*.

Registered office:  
KPMG S.A.  
Tour Eqho  
2 avenue Gambetta  
92066 Paris La Défense Cedex  
Share capital: EUR 5,497,100  
APE code: 6920Z  
Nanterre Trade and Companies  
Register no. 775 726 417  
NA European Union  
FR 77 775 726 417

## **2 Justification of assessments**

In accordance with the provisions of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following information:

As part of our assessment of the accounting principles used by the fund and described in the notes to the annual financial statements under "Accounting methods and rules", we have verified that the valuation methods used for the financial instruments in the portfolio have been correctly applied.

The assessments were made as part of our audit of the annual financial statements, taken as a whole, and therefore contributed to the opinion we formed, as expressed in the first part of this report.

## **3 Specific verifications and information**

We have also conducted specific verifications as required by law in accordance with professional auditing standards in France.

We have no observations to make concerning the accuracy and consistency with the annual financial statements of the information provided in the annual report and in the documents sent to unitholders concerning the financial position and the annual financial statements.

Paris La Défense, 9 March 2017

KPMG Audit  
*Department of KPMG S.A.*

[Signature]  
Gérard Gaultry  
*Partner*

## 6. ANNUAL FINANCIAL STATEMENTS

### • BALANCE SHEET *in USD*

#### ASSETS

	30/12/2016	31/12/2015
<b>Net fixed assets</b>		
<b>Deposits</b>		
<b>Financial instruments</b>	<b>14,875,231.68</b>	<b>13,548,077.58</b>
<b>Shares and similar securities</b>		
Traded on a regulated or equivalent market		
Not traded on a regulated or equivalent market		
<b>Bonds and similar securities</b>	<b>14,864,966.54</b>	<b>12,508,543.58</b>
Traded on a regulated or equivalent market	14,864,966.54	12,508,543.58
Not traded on a regulated or equivalent market		
<b>Debt securities</b>		
Traded on a regulated or equivalent market		
Negotiable debt securities		
Other debt securities		
Not traded on a regulated or equivalent market		
<b>Undertakings for Collective Investment</b>		<b>1,035,184.00</b>
Retail UCITS and AIFs intended for non-professionals and their equivalents in other countries		1,035,184.00
Other funds intended for non-professionals and their equivalents in other Member States of the EU		
Professional investment funds and their equivalents in other EU member states and listed special purpose vehicles		
Other professional investment funds and equivalent funds in other EU member states and unlisted special purpose vehicles		
Other non-European undertakings		
<b>Temporary securities transactions</b>		
Receivables on securities received under repurchase agreements		
Receivables on loaned securities		
Borrowed securities		
Securities assigned under repurchase agreements		
Other temporary transactions		
<b>Financial futures</b>	<b>10,265.14</b>	<b>4,350.00</b>
Transactions on a regulated or equivalent market	10,265.14	4,350.00
Other transactions		
<b>Other financial instruments</b>		
<b>Receivables</b>	<b>12,780,619.81</b>	<b>11,369,829.34</b>
<b>Forward currency transactions</b>	<b>12,387,590.63</b>	<b>11,348,054.94</b>
<b>Other</b>	<b>393,029.18</b>	<b>21,774.40</b>
<b>Financial accounts</b>	<b>1,637,209.65</b>	<b>595,869.15</b>
<b>Cash and cash equivalents</b>	<b>1,637,209.65</b>	<b>595,869.15</b>
<b>Total assets</b>	<b>29,293,061.14</b>	<b>25,513,776.07</b>

## LIABILITIES

	30/12/2016	31/12/2015
<b>Shareholders' equity</b>		
<b>Capital</b>	<b>16,351,925.05</b>	<b>15,406,755.83</b>
Undistributed prior net gains and losses (a)		
Balance carried forward (a)		
Net gains and losses for the financial year (a, b)	245,292.55	-1,334,642.18
Profit/loss for the financial year (a, b)	-15,512.45	-9,618.89
<b>Total shareholders' equity (= the sum of the net assets)</b>	<b>16,581,705.15</b>	<b>14,062,494.76</b>
<b>Financial instruments</b>	<b>19,949.99</b>	
<b>Sales of financial instruments</b>		
<b>Temporary securities transactions</b>		
Payables on securities assigned under repurchase agreements		
Payables representing borrowed securities		
Other temporary transactions		
<b>Financial futures</b>	<b>19,949.99</b>	
Transactions on a regulated or equivalent market	19,949.99	
Other transactions		
<b>Payables</b>	<b>12,691,406.00</b>	<b>11,451,281.31</b>
<b>Forward currency transactions</b>	<b>12,486,065.39</b>	<b>11,432,738.88</b>
<b>Other</b>	<b>205,340.61</b>	<b>18,542.43</b>
<b>Financial accounts</b>		
<b>Bank overdrafts</b>		
<b>Borrowings</b>		
<b>Total liabilities</b>	<b>29,293,061.14</b>	<b>25,513,776.07</b>

(a) Including adjustments

(b) Less interim dividends paid in respect of the financial year

- OFF-BALANCE SHEET ITEMS *in USD*

	30/12/2016	31/12/2015
<b>Hedging transactions</b>		
<b>Commitment on regulated or equivalent markets</b>		
<b>Futures contracts</b>		
BP GBPUSD H7	231,712.50	
CME EUR/USD0316		816,450.00
CME JPY/USD 0317	429,850.00	
EC EURUSD 0317	2,907,850.00	
<b>Commitments on OTC markets</b>		
<b>Other commitments</b>		
<b>Other transactions</b>		
<b>Commitments on regulated or equivalent markets</b>		
<b>Options</b>		
TENCENT HLDG 2014 06/2017 CALL 210	44,900.22	
TEVA ADR 01/2018 CALL 60	15,279.67	
<b>Commitments on OTC markets</b>		
<b>Other commitments</b>		

• **INCOME STATEMENT in USD**

	30/12/2016	31/12/2015
<b>Income from financial transactions</b>		
Income from deposits and financial accounts	0.24	0.80
Income from equities and similar securities		
Income from bonds and similar securities	233,904.97	243,214.28
Income from debt securities		
Income from temporary purchases and sales of securities		
Income from forward financial instruments		
Other financial income		
<b>Total (1)</b>	<b>233,905.21</b>	<b>243,215.08</b>
<b>Expenses on financial transactions</b>		
Expenses relating to temporary purchases and sales of securities		
Expenses relating to forward financial instruments		
Expenses relating to financial debt	800.00	6,029.82
Other financial expenses		
<b>Total (2)</b>	<b>800.00</b>	<b>6,029.82</b>
<b>Profit/loss on financial transactions (1 - 2)</b>	<b>233,105.21</b>	<b>237,185.26</b>
Other income (3)		
Management fees and amortisation expense (4)	247,038.34	247,503.02
<b>Net profit/loss for the financial year (L. 214-17-1) (1 - 2 + 3 - 4)</b>	<b>-13,933.13</b>	<b>-10,317.76</b>
Income adjustment for the financial year (5)	-1,579.32	698.87
Interim dividends paid in respect of the financial year (6)		
<b>Profit/loss (1,-,2,+,3,-,4,+,5,+,6)</b>	<b>-15,512.45</b>	<b>-9,618.89</b>

**ACCOUNTING METHODS AND RULES**

The annual financial statements are presented in the form stipulated by ANC (*Autorité des normes comptables*, the French accounting standards authority) Regulation 2014-01, repealing CRC (*Comité de réglementation comptable*, the French accounting supervisory committee) Regulation 2003-02, as amended.

General accounting principles apply:

- a true and fair view, comparability and operational continuity,
- lawfulness and accuracy,
- prudence,
- consistency in accounting methods from one financial year to the next.

The accrual accounting method is used to record the income from fixed income securities.

Purchases and sales of securities are recognised exclusive of costs.

The base currency of the portfolio is the US dollar.

The length of the financial year is 12 months.

**Asset valuation rules**

Financial instruments are recorded in the financial statements according to the historical cost method and on the balance sheet at their current value as determined by the last known market value or, where no market exists, by any external means or by the use of financial models.

Differences between the current values used to calculate the net asset value and the historical costs of transferable securities when first included in the portfolio are recorded in “valuation differentials” accounts.

Investments that are not in the portfolio currency are valued in accordance with the principle set out below- and then converted to the portfolio currency on the basis of the exchange rate on the valuation date.

***Deposits:***

Deposits with a residual maturity of three months or less are valued according to the straight line method.

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

Equities and other securities traded on a regulated or equivalent market are valued on the basis of the day's closing market price for the purpose of calculating the net asset value.

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

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

Securities which are not traded on a regulated market are valued by the Management Company using methods based on market value and yield, taking into account the prices used for recent significant transactions.

***Negotiable debt securities:***

Negotiable debt securities and similar securities not traded in large volumes are valued using an actuarial method based on a benchmark rate, defined below, which is increased, if applicable, by a differential which represents the intrinsic characteristics of the issuer:

Negotiable debt securities with a maturity of one year or less: interbank offered rate in euros (Euribor);

Negotiable debt securities with a maturity or more than one year: Rates for French treasury bills (BTANs and OATs) with similar maturity dates for the longest terms.

Negotiable debt securities with a residual maturity of three months or less may be valued using the straight line method.

French treasury bills are valued on the basis of market prices, as published daily by the *Banque de France*.

***UCIs held:***

Units or shares of UCIs will be valued at the last known net asset value.

***Temporary securities transactions:***

Securities received under repurchase agreements are recorded as assets under the "Receivables on securities received under repurchase agreements" for the sum provided for in the contract, plus any accrued interest.

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

Loaned securities are valued at their current value and are entered as assets at their current value, plus accrued interest receivable, under the "Receivables on loaned securities" heading.

Borrowed securities are recorded as assets under the "Borrowed securities" heading, at the contracted amount, and as liabilities under the "Payables on borrowed securities" heading at the contracted amount, plus any accrued interest payable.

***Forward financial instruments:***

**Forward financial instruments traded on a regulated or equivalent market:**

Financial futures traded on regulated markets are valued at the day's settlement price for clearing.

**Forward financial instruments not traded on a regulated or equivalent market:**

***Swaps:***

Interest rate and/or currency swaps are valued at their market value on the basis of a price calculated by discounting future interest flows at market interest rates and/or exchange rates. This price is adjusted to take into account the risk associated with the issuer.

Index swaps are valued on an actuarial basis using a benchmark rate provided by the counterparty.

Other swaps are valued at their market value or at a value estimated in the manner established by the Management Company.

***Off-balance sheet commitments:***

Firm futures contracts are recorded as off-balance sheet commitments at their market value at the price used in the portfolio.

Options transactions are converted into the equivalent underlying.

Swap commitments are recorded at their nominal value or, where there is no nominal value, at an equivalent amount.

## **Costs of management**

Management fees are calculated on each net asset valuation date.

These fees are recorded in the income statement for the UCI.

Management fees are paid in full to the Management Company responsible for all of the UCI's operating costs.

Management fees do not include transaction fees.

The maximum rate of fee applied on the basis of net assets is:

- 1.80% (incl. tax) for A units
- 1.80% (incl. tax) for B units
- 1.00% (incl. tax) for I units,
- 1.00% (incl. tax) for J units
- 1.15% (incl. tax) for R units.

## **Outperformance fee**

Outperformance fees are withdrawn and paid to the Management Company in the following manner:

- Benchmark, for units denominated in US dollars: the Thomson Reuters Growth Markets CB Index Hedged (USD) index, and, for units denominated in euros: the Thomson Reuters Growth Markets CB Index Hedged (EUR) index, with net coupons reinvested.
- The outperformance fee is calculated by comparing the UCITS' performance to the benchmark.
- When the UCITS outperforms its benchmark, a provision of 20% (net of tax) will be applied to the outperformance.
- The reference periods end with the last net asset value for the month of December.
- A provision for outperformance fees will be made each time that the net asset value is calculated.
- This performance fee is payable annually after the last net asset value for the reference period has been calculated.

No outperformance fees will be charged when the UCITS underperforms the benchmark index over the calculation period.

In the event of underperformance, the performance fee provision will be reduced by reversing the provision. The reversal cannot exceed the provision.

When units are redeemed, the Management Company receives the portion of the outperformance fee corresponding to the redeemed units.

## **Allocation of distributable income**

### ***Definition of distributable income:***

Distributable income comprises:

### ***Income:***

The net income for the year is the amount of interest, arrears, premiums and bonuses, dividends, directors' fees and all other revenues generated by the securities held in the portfolio, plus income generated by temporary cash holdings, less management fees and borrowing costs.

This is increased by the balance carried forward and increased or decreased by the balance on the income equalisation account.

### ***Gains and losses:***

Realised gains (net of fees), minus realised losses (net of fees), recorded during the financial year, plus any net gains of the same type recorded during previous financial years which have not been distributed or accumulated, plus or minus the balance of the capital gains on the equalisation account.

**Methods for allocating distributable income:**

<b><i>Distributable income</i></b>	<b><i>A, B, I, J and R units</i></b>
Allocation of net income	Accumulation
Allocation of net realised gains or losses	Accumulation

• **CHANGE IN NET ASSETS *in USD***

	30/12/2016	31/12/2015
<b>Net assets at the start of the financial year</b>	<b>14,062,494.76</b>	<b>18,618,698.42</b>
Subscriptions (including subscription fees paid to the UCI)	7,348,008.63	5,128,318.84
Redemptions (less redemption fees paid to the UCI)	-5,320,396.56	-8,548,775.71
Realised gains on deposits and financial instruments	839,763.28	816,538.45
Losses realised on deposits and financial instruments	-172,385.40	-759,612.98
Gains realised on forward financial instruments	1,076,315.98	2,344,986.84
Losses realised on forward financial instruments	-1,393,896.46	-4,231,738.57
Transaction fees	-36,432.24	-52,090.46
Foreign exchange differences	-38,427.91	473,895.92
Changes in the valuation differential for deposits and financial instruments	271,155.10	313,606.15
Valuation differential for financial year N	399,123.95	127,968.85
Valuation differential for financial year N-1	-127,968.85	185,637.30
Changes in the valuation differential for financial futures instruments	-40,560.90	-31,014.38
Valuation differential for financial year N	-38,235.90	2,325.00
Valuation differential for financial year N-1	-2,325.00	-33,339.38
Dividends paid in the previous financial year on net gains and losses		
Dividends paid in the previous financial year on income		
Net income for the financial year prior to income adjustment	-13,933.13	-10,317.76
Interim dividend(s) paid over the financial year on net gains and losses		
Interim dividend(s) paid over the financial year on income		
Other items		
<b>Net assets at the end of the financial year</b>	<b>16,581,705.15</b>	<b>14,062,494.76</b>

• **BREAKDOWN OF FINANCIAL INSTRUMENTS BY LEGAL OR FINANCIAL TYPE**

	Amount	%
<b>Assets</b>		
<b>Bonds and similar securities</b>		
Fixed-rate bonds traded on a regulated or equivalent market	1,415,520.58	8.54
Convertible bonds traded on a regulated or equivalent market	13,449,445.96	81.11
<b>TOTAL Bonds and similar securities</b>	<b>14,864,966.54</b>	<b>89.65</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 items</b>		
<b>Hedging transactions</b>		
Foreign exchange	3,569,412.50	21.53
<b>TOTAL Hedging transactions</b>	<b>3,569,412.50</b>	<b>21.53</b>
<b>Other transactions</b>		
Shares	60,179.89	0.36
<b>TOTAL Other transactions</b>	<b>60,179.89</b>	<b>0.36</b>

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

	Fixed rate	%	Floating rate	%	Adjustable rate	%	Other	%
<b>Assets</b>								
Deposits								
Bonds and similar securities	14,864,966.54	89.65						
Debt securities								
Temporary securities transactions								
Financial accounts							1,637,209.65	9.87
<b>Liabilities</b>								
Temporary securities transactions								
Financial accounts								
<b>Off-balance sheet items</b>								
Hedging transactions								
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			589,444.44	3.55	6,308,396.94	38.04	4,089,577.02	24.66	3,877,548.14	23.38
Debt securities										
Temporary securities transactions										
Financial accounts	1,637,209.65	9.87								
<b>Liabilities</b>										
Temporary securities transactions										
Financial accounts										
<b>Off-balance sheet items</b>										
Hedging transactions										
Other transactions										

Positions in interest-rate futures are shown according to the maturity of the underlying instrument.

• BREAKDOWN OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS BY CURRENCY OF LISTING OR VALUATION

	EUR		JPY		GBP		Other currencies	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>								
Deposits								
Shares and similar securities								
Bonds and similar securities	2,320,551.14	13.99	509,867.12	3.07	117,237.47	0.71	1,713,646.65	10.33
Debt securities								
UCIs								
Temporary securities transactions								
Receivables	10,585,319.15	63.84						
Financial accounts	392,926.44	2.37	1,376.82	0.01	122,820.78	0.74	21,662.93	0.13
<b>Liabilities</b>								
Sales of financial instruments								
Temporary securities transactions								
Payables	519,397.94	3.13					1,745,757.13	10.53
Financial accounts								
<b>Off-balance sheet items</b>								
Hedging transactions								
Other transactions							44,900.22	0.27

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

	Type of debit or credit	30/12/2016
Receivables	Forward currency purchases	10,289,564.97
	Funds to be received on forward currency sales	2,098,025.66
	Subscriptions receivable	858.18
	Cash collateral deposits	94,775.00
	Cash dividends and coupons	2,500.00
	Collateral	294,896.00
<b>Total receivables</b>		<b>12,780,619.81</b>
Payables	Forward currency sales	2,107,846.77
	Amount payable on forward currency purchases	10,378,218.62
	Redemptions payable	157,308.30
	Costs of management	18,370.97
	Variable management fees	29,661.34
<b>Total payables</b>		<b>12,691,406.00</b>

- **NUMBER OF SECURITIES ISSUED OR REDEEMED**

	Units	Amount
<b>I Units</b>		
Units subscribed during the financial year	2,000.000	241,260.00
Units redeemed during the financial year	-4,200.000	-506,646.00
Net balance of subscriptions/redemptions	-2,200.000	-265,386.00
<b>A unit</b>		
Units subscribed during the financial year	103.000	12,186.96
Units redeemed during the financial year	-2,708.000	-300,663.27
Net balance of subscriptions/redemptions	-2,605.000	-288,476.31
<b>B unit</b>		
Units subscribed during the financial year	35,852.023	4,291,481.94
Units redeemed during the financial year	-36,941.822	-4,513,087.29
Net balance of subscriptions/redemptions	-1,089.799	-221,605.35
<b>J units</b>		
Units subscribed during the financial year	5,148.000	688,554.73
Units redeemed during the financial year		
Net balance of subscriptions/redemptions	5,148.000	688,554.73
<b>R unit</b>		
Units subscribed during the financial year	17,500.000	2,114,525.00
Units redeemed during the financial year		
Net balance of subscriptions/redemptions	17,500.000	2,114,525.00

- **SUBSCRIPTION AND/OR REDEMPTION FEES**

	Amount
<b>I units</b>	
Redemption fees received	
Subscription fees received	
Total fees received	
<b>A units</b>	
Redemption fees received	
Subscription fees received	
Total fees received	
<b>B units</b>	
Redemption fees received	
Subscription fees received	
Total fees received	
<b>J units</b>	
Redemption fees received	
Subscription fees received	
Total fees received	
<b>R units</b>	
Redemption fees received	
Subscription fees received	
Total fees received	

- **MANAGEMENT FEES**

	30/12/2016
<b>I units</b>	
Guarantee fees	
Fixed management fees	5,409.41
Percentage of fixed management fees	1.00
Variable management fees	3,001.08
Trailer fees	
<b>A units</b>	
Guarantee fees	
Fixed management fees	12,849.43
Percentage of fixed management fees	1.80
Variable management fees	2,661.96
Trailer fees	
<b>B units</b>	
Guarantee fees	
Fixed management fees	118,963.95
Percentage of fixed management fees	1.80
Variable management fees	14,226.09
Trailer fees	
<b>J units</b>	
Guarantee fees	
Fixed management fees	24,663.03
Percentage of fixed management fees	1.00
Variable management fees	9,772.21
Trailer fees	
<b>R units</b>	
Guarantee fees	
Fixed management fees	55,491.18
Percentage of fixed management fees	1.15
Variable management fees	
Trailer fees	

- **COMMITMENTS RECEIVED AND GIVEN**

**Guarantees received by the UCI**

None.

**Other commitments received and/or given**

None.

- **CURRENT VALUE OF SECURITIES SUBJECT TO A TEMPORARY PURCHASE TRANSACTION**

	30/12/2016
Securities received under repurchase agreements	
Borrowed securities	

- **CURRENT VALUE OF SECURITIES REPRESENTING GUARANTEE DEPOSITS**

	30/12/2016
Financial instruments given in guarantee and retained under their original entry	
Financial instruments received in guarantee and not recorded on the balance sheet	

- **GROUP FINANCIAL INSTRUMENTS HELD IN PORTFOLIO**

	ISIN code	Name	30/12/2016
Shares			
Bonds			
Negotiable debt securities			
UCIs			
Financial futures			
<b>Total Group securities</b>			

• **ALLOCATION TABLE FOR THE PORTION OF DISTRIBUTABLE INCOME CORRESPONDING TO INCOME**

	30/12/2016	31/12/2015
<b>Sums still to be allocated</b>		
Balance carried forward		
Profit/loss	-15,512.45	-9,618.89
<b>Total</b>	<b>-15,512.45</b>	<b>-9,618.89</b>

	30/12/2016	31/12/2015
<b>I units</b>		
<b>Allocation</b>		
Distribution		
Balance carried forward for the financial year		
Accumulation	39.00	3,308.28
<b>Total</b>	<b>39.00</b>	<b>3,308.28</b>

	30/12/2016	31/12/2015
<b>A units</b>		
<b>Allocation</b>		
Distribution		
Balance carried forward for the financial year		
Accumulation	-4,289.73	-3,696.42
<b>Total</b>	<b>-4,289.73</b>	<b>-3,696.42</b>

	30/12/2016	31/12/2015
<b>B units</b>		
<b>Allocation</b>		
Distribution		
Balance carried forward for the financial year		
Accumulation	-35,715.18	-27,628.06
<b>Total</b>	<b>-35,715.18</b>	<b>-27,628.06</b>

	30/12/2016	31/12/2015
<b>J units</b>		
<b>Allocation</b>		
Distribution		
Balance carried forward for the financial year		
Accumulation	4,002.30	10,051.35
<b>Total</b>	<b>4,002.30</b>	<b>10,051.35</b>

	30/12/2016	31/12/2015
<b>R units</b>		
<b>Allocation</b>		
Distribution		
Balance carried forward for the financial year		
Accumulation	20,451.16	8,345.96
<b>Total</b>	<b>20,451.16</b>	<b>8,345.96</b>

• **ALLOCATION TABLE FOR THE PORTION OF DISTRIBUTABLE INCOME CORRESPONDING TO NET GAINS AND LOSSES**

	30/12/2016	31/12/2015
<b>Sums still to be allocated</b>		
Undistributed prior net gains and losses		
Net gains and losses for the financial year	245,292.55	-1,334,642.18
Interim dividends paid on net gains and losses for the financial year		
<b>Total</b>	<b>245,292.55</b>	<b>-1,334,642.18</b>

	30/12/2016	31/12/2015
<b>I units</b>		
<b>Allocation</b>		
Distribution		
Undistributed net gains and losses		
Accumulation	20,692.76	71.03
<b>Total</b>	<b>20,692.76</b>	<b>71.03</b>

	30/12/2016	31/12/2015
<b>A units</b>		
<b>Allocation</b>		
Distribution		
Undistributed net gains and losses		
Accumulation	27,637.16	242.14
<b>Total</b>	<b>27,637.16</b>	<b>242.14</b>

	30/12/2016	31/12/2015
<b>B units</b>		
<b>Allocation</b>		
Distribution		
Undistributed net gains and losses		
Accumulation	-7,978.73	-1,066,765.67
<b>Total</b>	<b>-7,978.73</b>	<b>-1,066,765.67</b>

	30/12/2016	31/12/2015
<b>J units</b>		
<b>Allocation</b>		
Distribution		
Undistributed net gains and losses		
Accumulation	-9,355.70	-268,556.57
<b>Total</b>	<b>-9,355.70</b>	<b>-268,556.57</b>

	30/12/2016	31/12/2015
<b>R units</b>		
<b>Allocation</b>		
Distribution		
Undistributed net gains and losses		
Accumulation	214,297.06	366.89
<b>Total</b>	<b>214,297.06</b>	<b>366.89</b>

• TABLE OF RESULTS AND OTHER SIGNIFICANT ITEMS OVER THE LAST FIVE FINANCIAL YEARS

	31/12/2012	31/12/2013	31/12/2014	31/12/2015	30/12/2016
<b>Total net assets in USD</b>	<b>54,620,514.27</b>	<b>34,893,059.00</b>	<b>18,618,698.42</b>	<b>14,062,494.76</b>	<b>16,581,705.15</b>
<b>Edmond de Rothschild Emerging Convertibles I</b>					
Net assets in USD	115.79	121.77	759,680.46	771,484.80	526,278.35
Number of securities	1.000	1.000	6,201.000	6,201.000	4,001.000
Net asset value per unit in USD	115.79	121.77	122.50	124.41	131.53
Accumulation per unit on net gains and losses in USD		4.33	2.53	0.01	5.17
Accumulation per unit on income in USD	1.52	2.36	0.57	0.53	
<b>Edmond de Rothschild Emerging Convertibles A</b>					
Net assets in USD	10,784,052.80	3,522,103.89	1,765,194.04	963,800.89	701,691.13
Number of securities	98,725.755	31,196.559	15,657.827	8,486.031	5,881.031
Net asset value per unit in USD	109.23	112.90	112.73	113.57	119.31
Accumulation per unit on net gains and losses in USD		3.92	2.31	0.02	4.69
Accumulation per unit on income in USD	0.07	0.17	-0.35	-0.43	-0.72
<b>Edmond de Rothschild Emerging Convertibles B</b>					
Net assets in EUR	25,609,380.90	16,301,404.77	7,323,724.86	6,465,310.60	6,568,375.34
Number of securities	239,717.887	148,509.280	66,981.850	59,038.529	57,948.730
Net asset value per unit in EUR	106.83	109.76	109.33	109.51	113.34
Accumulation per unit on net gains and losses in USD		17.12	-12.54	-18.06	-0.13
Accumulation per unit on income in USD	0.11	0.23	-0.27	-0.46	-0.61
<b>Edmond de Rothschild Emerging Convertibles J</b>					
Net assets in EUR	1,061,533.58	4,100,852.09	3,519,481.95	2,112,868.42	2,831,294.32
Number of securities	9,501.000	35,371.000	30,241.000	18,001.000	23,149.000
Net asset value per unit in EUR	111.72	115.93	116.38	117.37	122.30
Accumulation per unit on net gains and losses in USD		16.47	-13.24	-14.91	-0.40
Accumulation per unit on income in USD	1.21	1.45	1.00	0.55	0.17

	31/12/2012	31/12/2013	31/12/2014	31/12/2015	30/12/2016
<b>Total net assets in USD</b>	<b>54,620,514.27</b>	<b>34,893,059.00</b>	<b>18,618,698.42</b>	<b>14,062,494.76</b>	<b>16,581,705.15</b>
<b>Edmond de Rothschild Emerging Convertibles R</b>					
Net assets in USD	8,638,739.83	3,325,891.06	2,971,375.03	3,013,022.29	5,454,003.58
Number of securities	75,501.000	27,941.000	24,801.000	24,801.000	42,301.000
Net asset value per unit in USD	114.41	119.03	119.80	121.48	128.93
Accumulation per unit on net gains and losses in USD		4.13	2.41	0.01	5.06
Accumulation per unit on income in USD	0.79	0.94	0.58	0.33	0.48

• **PORTFOLIO BREAKDOWN in USD**

Name of securities	Currency	Quantity or nominal amount	Current value	% of Net Assets
<b>Bonds and similar securities</b>				
<b>Bonds and similar securities traded on a regulated or equivalent market</b>				
<b>AUSTRIA</b>				
STEI FINA 1.25% 11-08-22	EUR	500,000	536,036.97	3.23
SUZANO AUSTRIA GMBH 5.75% 14-07-26	USD	300,000	298,707.83	1.80
<b>TOTAL AUSTRIA</b>			<b>834,744.80</b>	<b>5.03</b>
<b>BERMUDA</b>				
TAI FOOK SECURITIES ZCP 25-10-21	HKD	2,000,000	257,914.85	1.56
<b>TOTAL BERMUDA</b>			<b>257,914.85</b>	<b>1.56</b>
<b>UNITED ARAB EMIRATES</b>				
DP WORL LT 1.75% 19-06-24 CV	USD	600,000	593,190.33	3.58
NATL BK ABU DHABI 1% 03/18 CV	USD	600,000	598,322.00	3.61
<b>TOTAL UNITED ARAB EMIRATES</b>			<b>1,191,512.33</b>	<b>7.19</b>
<b>UNITED STATES OF AMERICA</b>				
AYC FINANCE 0.5% 02/05/2019 CV	USD	300,000	304,622.17	1.84
TERADYNE 1.25% 15-12-23	USD	232,000	246,171.46	1.48
<b>TOTAL UNITED STATES OF AMERICA</b>			<b>550,793.63</b>	<b>3.32</b>
<b>HONG KONG</b>				
ASIA VIEW 1.5% 08-08-19 CV	USD	500,000	519,270.83	3.13
BAOS HONG KONG ZCP 01-12-18 CV	USD	600,000	601,476.00	3.63
<b>TOTAL HONG KONG</b>			<b>1,120,746.83</b>	<b>6.76</b>
<b>HUNGARY</b>				
HUSTHO 3 3/8 04/02/19 CV	EUR	300,000	373,346.60	2.25
<b>TOTAL HUNGARY</b>			<b>373,346.60</b>	<b>2.25</b>
<b>CAYMAN ISLANDS</b>				
ASM PACIFIC TECH 2% 28/03/2019 CV	HKD	4,000,000	564,109.24	3.40
CHIN OVER FIN ZCP 05-01-23 CV	USD	400,000	400,416.00	2.41
CTRI COM INTL 1.0% 01-07-20	USD	500,000	513,486.67	3.10
DELT INVE 3.0% 26-05-20 CV	USD	400,000	377,733.33	2.28
ENN ENERGY HOLDING 0% 26/02/2018	USD	500,000	506,740.00	3.06
HTINL 2 02/13/19	USD	500,000	505,293.89	3.05
SEMI MANU INTE ZCP 07-07-22	USD	250,000	357,182.50	2.15
SEMICONDUCTOR 0% 11/18	USD	200,000	306,002.00	1.85
<b>TOTAL CAYMAN ISLANDS</b>			<b>3,530,963.63</b>	<b>21.30</b>
<b>BRITISH VIRGIN ISLANDS</b>				
CP FOODS 0.5% 22-09-21	USD	400,000	398,645.11	2.40
<b>TOTAL BRITISH VIRGIN ISLANDS</b>			<b>398,645.11</b>	<b>2.40</b>

Name of securities	Currency	Quantity or nominal amount	Current value	% of Net Assets
<b>INDIA</b>				
LARS AND T 0.675% 22-10-19 CV	USD	400,000	383,244.50	2.31
<b>TOTAL INDIA</b>			<b>383,244.50</b>	<b>2.31</b>
<b>JAPAN</b>				
SUZUKI MOTOR ZCP 31-03-21	JPY	50,000,000	509,867.12	3.07
<b>TOTAL JAPAN</b>			<b>509,867.12</b>	<b>3.07</b>
<b>LUXEMBOURG</b>				
CIRSA FUNGING 5.75% 15-05-21	EUR	200.000	228,316.20	1.38
<b>TOTAL LUXEMBOURG</b>			<b>228,316.20</b>	<b>1.38</b>
<b>MALAYSIA</b>				
BAGAN CAPITAL ZCP 23-09-21 CV	USD	400.000	401,692.00	2.42
CAHAYA CAPITAL ZCP 18-09-21 CV	USD	450.000	432,126.00	2.61
INDAH CAPITAL LTD 0 24/10/2018 CV	SGD	500.000	374,768.79	2.26
<b>TOTAL MALAYSIA</b>			<b>1,208,586.79</b>	<b>7.29</b>
<b>MALTA</b>				
BRAIT 2.75% 18-09-20	GBP	100.000	117,237.47	0.71
<b>TOTAL MALTA</b>			<b>117,237.47</b>	<b>0.71</b>
<b>MEXICO</b>				
CEME SAB D 3.72% 15-03-20 CV	USD	530.000	576,101.17	3.47
CEMEX SAB 3.75% 15/03/2018 CV	USD	175.000	199,008.98	1.20
<b>TOTAL MEXICO</b>			<b>775,110.15</b>	<b>4.67</b>
<b>NETHERLANDS</b>				
BE SEMICONDUCTOR INDUSTRIES NV 2.5% 02-12-23	EUR	300.000	316,949.83	1.91
CEZ FINANCE 0% 08/17 CV	EUR	500.000	589,444.44	3.55
LUKOIL 4.563% 04/24/23	USD	600.000	612,039.45	3.69
SM MTH A 4.125% 15-07-21 EMTN	EUR	250.000	276,457.10	1.67
CNY 1.125% 15-12-18 CV	USD	650.000	622,331.94	3.76
<b>TOTAL NETHERLANDS</b>			<b>2,417,222.76</b>	<b>14.58</b>
<b>SINGAPORE</b>				
CAPLSP 1.95 10/17/23	SGD	750.000	516,853.77	3.12
<b>TOTAL SINGAPORE</b>			<b>516,853.77</b>	<b>3.12</b>
<b>TAIWAN</b>				
ADVANCED SEMICONDOR 0% 09/18 CV	USD	400.000	449,860.00	2.71
<b>TOTAL TAIWAN</b>			<b>449,860.00</b>	<b>2.71</b>
<b>TOTAL Bonds and similar securities traded on a regulated or equivalent market</b>			<b>14,864,966.54</b>	<b>89.65</b>
<b>TOTAL Bonds and similar securities</b>			<b>14,864,966.54</b>	<b>89.65</b>
<b>Financial futures</b>				
<b>Firm forward commitments</b>				
<b>Firm forward commitments on a regulated or equivalent market</b>				
BP GBPUSD H7	USD	-3	3,975.00	0.02

Name of securities	Currency	Quantity or nominal amount	Current value	% of Net Assets
CME JPY/USD 0317	USD	-4	-3,175.00	-0.02
EC EURUSD 0317	USD	-22	-9,050.00	-0.05
<b>TOTAL Firm forward commitments on a regulated or equivalent market</b>			<b>-8,250.00</b>	<b>-0.05</b>
<b>TOTAL Firm forward commitments</b>			<b>-8,250.00</b>	<b>-0.05</b>
<b>Conditional forward commitments</b>				
<b>Conditional forward commitments on a regulated or equivalent market</b>				
TENCENT HLDG 2014 06/2017 CALL 210	HKD	55	4,610.14	0.03
TEVA ADR 01/2018 CALL 60	USD	70	1,680.00	0.01
<b>TOTAL Conditional forward commitments on a regulated market</b>			<b>6,290.14</b>	<b>0.04</b>
<b>TOTAL Conditional forward commitments</b>			<b>6,290.14</b>	<b>0.04</b>
<b>TOTAL Forward financial instruments</b>			<b>-1,959.86</b>	<b>-0.01</b>
<b>Margin call</b>				
Appels de marges ROTHSCHILD en USD	USD	-7,724.99	-7,724.99	-0.05
<b>TOTAL Margin call</b>			<b>-7,724.99</b>	<b>-0.05</b>
<b>Receivables</b>			<b>12,780,619.81</b>	<b>77.08</b>
<b>Payables</b>			<b>-12,691,406.00</b>	<b>-76.54</b>
<b>Financial accounts</b>			<b>1,637,209.65</b>	<b>9.87</b>
<b>Net assets</b>			<b>16,581,705.15</b>	<b>100.00</b>

Edmond de Rothschild Emerging Convertibles R	USD	42,301.000	128.93
Edmond de Rothschild Emerging Convertibles B	EUR	57,948.730	113.34
Edmond de Rothschild Emerging Convertibles A	USD	5,881.031	119.31
Edmond de Rothschild Emerging Convertibles J	EUR	23,149.000	122.30
Edmond de Rothschild Emerging Convertibles I	USD	4,001.000	131.53