

**CANDRIAM RISK ARBITRAGE**

**ANNUAL REPORT**

*As at 29 December 2016*

2016 financial year  
Fonds Commun de Placement (FCP) – under French law  
Management company: CANDRIAM FRANCE - 40, rue de Washington - 75008 PARIS  
Depositary: RBC Investor Services Bank France - 105, rue Réaumur - 75002 PARIS

## CLASSIFICATION

Diversified UCITS

## MANAGEMENT OBJECTIVE

The fund's objective is to seek to outperform the capitalised EONIA over the minimum recommended investment period.

## ALLOCATION OF INCOME

Description	ISIN code	Allocation of the distributable sums	Currency	Minimum amount of initial subscription (*)	Minimum amount of subsequent subscriptions	Initial net asset value	Type of subscribers
C units	FR0000438707	Capitalisation	EUR	Nil	Nil	EUR 15,244.90	All subscribers
N units	FR0010988055	Capitalisation	EUR	Nil	Nil	EUR 1,000.00	Distributors approved by Candriam

## FUND OF FUNDS

Less than 10% of the net assets

## BENCHMARK

The EONIA (Euro Overnight Index Average) is the average of the day-to-day rates in the eurozone and is calculated by the European Central Bank and represents the eurozone's risk-free rate. It is available from [www.euribor.org](http://www.euribor.org).

## INVESTMENT STRATEGY

- **Strategies used:**

The fund's management strategy aims to outperform the EONIA over the recommended investment period, mainly through the use of arbitrage strategies in so-called "special situations", primarily involving European and North American equities. The fund's risk management approach aims to limit volatility (to less than 5%).

The management of the portfolio revolves around the following two points:

- Dynamic strategy
- Portfolio fund management strategy

**1) Dynamic strategy**

The investment strategy is an alternative management strategy referred to as "special situations". According to this methodology, the main investment parameter is whether or not any event occurs that is likely to create a discontinuity in the price of a given asset.

The fund invests in all geographical regions, but mainly in Europe and North America.

The assets considered are mainly equities, but may also include convertible bonds and/or derivatives.

Each special situation will be analysed so as to identify the investment opportunity offering the optimum risk/return ratio in relation to that special situation in the portfolio, irrespective of the sector.

These special situations consist of any type of event that may create discontinuity in the price of an asset.

**The fund will be invested mainly in the declared cash or share tender offers segment:** the strategy for this segment consists in buying or selling the selected assets of companies involved in a cash or share tender offer transaction in order to speculate on whether the transaction will go ahead. The main risk here is whether or not the transaction will be completed. This strategy may be implemented, for example, by buying or selling equities in the companies involved in a merger or acquisition. Mergers and acquisitions impact on all asset classes, making it possible to speculate on their completion via products other than equities.

**To a lesser extent, other special situations may be included such as demergers, changes in share ownership, changes in capital structure, management and strategy changes etc.** Regulatory events are also considered, as are any developments within a sector which would result in a new strategic positioning of the players in that sector.

There is no exhaustive list of special situations: any type of event that may create a discontinuity in the price of an asset is a special situation.

This strategy consists in buying or selling a security in order to speculate on an event, while hedging systemic market risk in the most appropriate way (for example, if the situation one wishes to speculate on consists in buying a security, the market risk could be hedged by selling another equity in the same sector, or by using derivatives).

Exposure to any given event may be achieved by means of either securities or forward financial instruments.

Investment opportunities may be identified at two levels:

- (i) By monitoring all equity financing operations announced or under consideration;
- (ii) By monitoring sectors and companies using a theme-based approach (regulatory changes, changes in share ownership, balance sheet restructuring, etc.) in order to identify opportunities ahead of announcements

The selection of positions is discretionary. It is based on an analysis in order to determine the yield/risk pairing for each situation. The positions offering the best yield/risk pairing in line with the fund's objective and which meet the total risk criteria of the portfolio are then added to the portfolio.

The quantification of the risk/return ratio requires a detailed examination of the probability of success of the special situation under consideration.

Lastly, before a position is added to the portfolio, the management team will endeavour to identify all the risks associated with that position, the extent to which these risks are compatible with the portfolio and the risks to be hedged where necessary.

## **2) Portfolio fund strategy**

This strategy consists of constructing a diversified portfolio invested in securities issued by private issuers (corporate credit and securities issued by financial institutions), Government bonds and other French and foreign money market instruments with a rating of at least A-2, when acquired, (or equivalent) by a ratings agency.

The fund may also make use of efficient portfolio management techniques as described below.

This part of the portfolio will represent between 0 and 100% of the fund's net assets.

### **• Instruments used;**

#### **1. Equities**

These are mainly equities traded on regulated European and/or North American markets. Investments will essentially be in large and mid-cap securities. The fund's net exposure to equity markets (the difference between long and short positions) may not exceed 20% of net assets.

#### **2. Debt securities and money market instruments**

These are mainly bonds and negotiable debt securities, including *commercial paper*, of all types of issuers with a short-term rating of at least A-2, when acquired, (or equivalent) from one of the ratings agencies.

This part of the portfolio represents between 0 and 100% of the fund's net assets.

### **3. Shares or units in UCITS**

In accordance with the applicable laws, the fund may invest up to 10% of its assets in:

- units or shares in European UCITS which do not hold more than 10% of UCI units,
- units or shares of European AIFs or foreign investment funds which do not hold more than 10% of UCI units or of foreign investment funds and which meet the three other criteria of the Code Monétaire et Financier.

Within this limit, the fund may invest in ETFs (Exchange Traded Funds) traded on regulated markets.

The UCI will be managed by CANDRIAM or by an external management company.

Investment will be for the purpose of diversifying the portfolio and optimising performance.

### **4. Other assets:**

The fund may invest up to 10% of its assets in eligible financial securities or money market instruments not traded on a regulated market.

### **5. Derivative instruments: limited by the VaR of the fund**

#### *Type of derivative instruments*

For the purpose of efficiently managing the portfolio, the fund may make use of derivative products such as swaps, futures, options and CDS arising notably from equity, interest rate and foreign exchange risk.

The fund may also make use of total return swaps or other derivative financial instruments which have the same characteristics, for example contracts for difference, for the purpose of (long or short) exposure, hedging or arbitrage.

The underlying instruments to these operations may be either individual securities, financial indices (equities, indices, volatility etc.) in which the fund may invest in accordance with its investment objectives.

These derivatives may be traded on regulated or over-the-counter markets.

#### *Authorised counterparties.*

In over-the-counter operations, the counterparties to these operations, when the transactions are initiated have a minimum rating of BBB-/Baa3 or equivalent from at least one recognised ratings agency, and are approved by the management company's risk management department.

Additional information on the one or more counterparties to the transactions is shown in the fund's annual report.

#### *Financial collateral:*

Some over-the-counter transactions are covered by a collateralisation policy.

This policy consists of making margin calls in cash in the currency of the fund in order to hedge the latent result of the transaction according to trigger thresholds. CFDs are generally subject also to initial cash collateral of an average of 10%.

#### *Total risk:*

Total risk is calculated as the absolute VaR. The absolute VaR corresponds to the potential loss in 99% of cases over a period of 20 business days under normal market conditions. The VaR level will be less than 20%.

### **6. Deposits**

The asset manager may make use of cash deposits representing up to 100% of the assets for cash management purposes.

**7. Cash borrowing:** between 0% and 10%

The fund may temporarily register a debit balance as a result of transactions related to cash flow (investments and divestments in progress, subscription/redemption and purchase/sale transactions, etc.), within a limit of 10% of the assets.

**8. Efficient portfolio management technique: between 0% and 100%**

The fund has the option of using efficient portfolio management techniques, namely repurchase and reverse repurchase agreements and securities lending/borrowing, in connection with its cash management.

The risks associated with efficient portfolio management techniques are counterparty risk, delivery risk and conflict of interest risk, as described below.

**8.1 Measures to limit the risks associated with efficient portfolio management techniques**

**8.1.1 Measures to limit counterparty and delivery risk**

*Selection of counterparties*

The counterparties to these transactions are approved by the management company's risk management department and, when the transactions are initiated, have a minimum rating of BBB-/Baa3 from at least one recognised rating agency.

*Financial collateral*

In order to reduce counterparty risk, the transactions are covered by financial collateral made up of highly liquid securities, as authorised by the applicable regulations. The collateral is deposited in favour of the fund before or at the same time as the assets loaned or transferred are delivered.

The risk management department of the management company has devised a collateral policy covering OTC derivatives and efficient portfolio management techniques.

Accordingly the risk management department validates the eligibility criteria for collateral beforehand (such as, for example, the types of instruments/cash and eligible currencies, the minimum rating for bonds (BBB- from at least one agency when the transaction is initiated), the rules for diversifying countries and issuers, the minimum size and the maximum share of the issue and/or stock market capitalisation, etc.).

Discount levels may be determined on the basis of the volatility and credit quality of the collateral.

Adjustment mechanisms (margin calls) are in place.

In the event of materialisation of the counterparty risk, the fund could end up owning the financial collateral received. If the fund may dispose of such collateral at a value corresponding to the value of the loan/assets transferred, it would not bear negative financial consequences. Otherwise (if the value of assets received as collateral fell below the value of the assets loaned/transferred before they could be sold), it would incur a loss equal to the difference between the value of the assets loaned/transferred and the value of the collateral once it is liquidated.

The use of efficient portfolio management techniques does not change the fund's overall risk profile.

*Restrictions on reinvestment of financial collateral received*

Non-cash financial collateral may not be sold or reinvested or pledged.

**8.1.2 Measures taken to reduce the risk of conflicts of interest**

To mitigate the risk of a conflict of interest, the management company has established a process for selecting and monitoring counterparties through committees organised by the risk management department. In addition, the remuneration of these transactions is in line with market practices in order to avoid any conflict of interest.

**8.2 Periodic investor information**

Further information on the conditions of application of these efficient portfolio management techniques is contained in the annual and semi-annual reports.

The methods for calculating and sharing the fees from this activity are described in the section on fees and commissions below.

#### **Agreements constituting financial collateral:**

*Cash overdraft:* by way of security against the cash overdraft facility granted by the depositary bank or institution, the fund grants the latter a financial guarantee in the simplified form laid down in the provisions of articles L.413-7 and thereafter of the Code Monétaire et Financier.

**TABLE OF DERIVATIVE INSTRUMENTS AND SECURITIES INCLUDING DERIVATIVES**

	TYPE OF MARKET		TYPE OF RISK					TYPE OF USE	
	Regulated and/or organised markets	OTC markets	Equity	Interest rates	Foreign exchange	Credit	Other risk(s)	Hedging	Exposure
<b>Futures in</b>									
Equities	x	x	x		x			x	x
Interest rates	x	x		x				x	
Foreign exchange	x	x			x			x	
Indices	x	x	x					x	x
Volatility	x	x					x	x	x
<b>Options in</b>									
Equities	x	x	x		x		x	x	x
Indices	x	x	x		x		x	x	x
<b>Swaps</b>									
Equities		x	x		x			x	x
Interest rates		x		x				x	
Foreign exchange		x			x			x	
Indices		x	x					x	x
Volatility		x					x	x	x
<b>Forward foreign exchange</b>									
Currency(-ies)		x			x			x	
<b>Credit derivatives</b>									
Credit default swaps (CDS)		x				x		x	
i-traxx		x				x		x	
<b>Warrants in</b>									
Equities	x	x	x		x			x	x
<b>Subscription warrants</b>									
Equities	x	x	x		x			x	x

### **RISK PROFILE**

Your money will be mainly invested in the financial instruments selected by the management company. These instruments will be subject to market trends and uncertainties.

The fund may be exposed to the following principal types of risk:

#### **Risk of capital loss:**

Investors are advised that the capital they invest is not guaranteed and they may therefore not get back the full amount invested.

#### **Risk arising from takeover bids:**

The cancellation of an offer, the extension of deadlines or unfavourable changes in the offer terms may significantly increase the volatility of the companies concerned. The occurrence of these events may cause the net asset value of the UCITS to fall.

**Risk arising from arbitrage:**

Arbitrage is a technique which consists in benefiting from the differences in prices recorded (or anticipated) between markets and/or sectors and/or securities and/or currencies and/or instruments. In the event of an unfavourable development in the arbitrages (such as a rise in short transactions and/or fall in long transactions), the net asset value of the UCITS may fall.

**Equity risk:**

This is the risk of an upward movement for short positions and a downward movement for long positions of equities and/or indices, relating to the investment and/or the exposure of the portfolio to equities or indices.

An equities and/or indices variation in the reverse direction to the positions could lead to the risk of losses and may cause the net asset value of the fund to fall.

Since the fund may be exposed on an ancillary basis to small- and mid-cap stocks, which are generally more volatile than large-caps, its net asset value may follow the behaviour of these stocks. Since only a limited number of such securities are listed on the stock market, downward market movements tend to be quicker and more pronounced than for large-caps. This may lead to quicker and more significant falls in the net asset value of the UCITS.

**Risk arising from holding convertible bonds:**

The value of convertible bonds depends on a number of factors, including interest rate levels, changes in credit spreads, changes in the price of the underlying equities, changes in the price of the derivative embedded in the convertible bond. These factors can cause the fund's net asset value to fall.

**Interest rate risk:**

The fund may be up to 100% exposed to short-term interest rate risk via debt securities and money market instruments. Interest rate risk is the risk associated with a rise in interest rates, which can trigger a fall in the price of certain debt securities and money market instruments, and thereby a fall in the net asset value of the UCITS.

**Foreign exchange risk:**

The fund buys and sells securities denominated in currencies other than the fund's currency. In spite of its policy of hedging the invested assets, the fund may be adversely impacted by changes on the foreign exchange markets affecting gains generated between two hedging periods. This risk is a residual risk.

**Counterparty risk:**

This risk measures the losses incurred by the fund in respect of the commitments made with a defaulting counterparty.

**Delivery risk:**

The fund may want to liquidate assets which are however subject to a transaction with a counterparty. The delivery risk is the risk that the counterparty, although contractually obliged, may not be able to return the assets quickly enough to allow the fund to honour their sale on the market.

**Risk of conflicts of interest:**

Selection of a counterparty based on reasons other than the sole interest of the fund and/or unequal treatment in the management of similar portfolios could be the main sources of conflicts of interest.

**Guarantee or protection:** Nil

## **CHANGES**

### **Changes during the previous six months**

Nil

## Changes over the six-month period

**22/12/2016:** New prospectus and KIID come into effect after the following change:

CANDRIAM FRANCE decided on the merger by absorption of CANDRIAM LONG SHORT RISK ARBITRAGE (Classique units FR0000991747 and N units FR0010988030)\* by CANDRIAM RISK ARBITRAGE (C units FR0000438707 and N units FR0010988055).

(\*) The V units were wound up on 1 July 2016 due to a lack of unitholders. CANDRIAM did not change the prospectus in accordance with the AMF given that the fund is being absorbed.

The AMF authorised the merger on 23 September 2016.

RBC INVESTOR SERVICES BANK FRANCE SA is the depositary of both funds.

This merger by absorption will take place on 22 December 2016 on the basis of the net asset values dated Wednesday 21 December 2016.

The letter to unitholders was sent via Euroclear France on 7 November 2016 by Fund Corporate Services France.

## Future changes

Nil

## MANAGEMENT REPORT

### Economic and financial environment

In the United States the first quarter of 2016 started with discouraging news coming from China: disappointing economic statistics, renewed depreciation of the yuan, the stock market fall. As with the stock market crash of August 2015, this also prompted falls in the stock markets of developed countries, long-term rates and the oil price, which dipped below the 30 dollars per barrel mark. Market volatility continued into mid-February, when the markets drastically marked down expectations that the Federal Reserve would increase rates. On 16 March, the FOMC kept the key rate unchanged at 0.5% and lowered its growth and inflation predictions slightly. Following a depreciation of the dollar lasting several weeks, the stock market finally saw better prospects, ending the quarter at 2060, unchanged from the end of 2015. In contrast, the 10-year interest rate fell by almost 50 basis points to 1.78%. April and May did not see any significant movements either on the stock markets or in terms of rates. The Federal Reserve left its key rate unchanged at 0.5%. But business activity, which had grown by just 1.1% quarter-on-quarter (annualised) in the first quarter of the year, started to pick up. At the beginning of April, the ISM manufacturing index rose above 50 for the first time since September 2015, to end on 53.2 in June. The ISM services index hovered around the 55 mark throughout the second quarter. At the beginning of June, however, payroll growth fell back sharply to 38,000, compared to an average of 188,000 over the three previous months. Even taking into account the strike at Verizon, which took 35,000 people out of job creation, this weak figure rekindled the recession fears that had plagued the start of the year. It depressed the long-term rates and pushed back the next rate rise, giving a slight boost to the stock market. Indeed, at its meeting on 15 June, the Federal Reserve left its reference rate unchanged and revised its growth forecasts downwards. In the early hours of 24 June 2016, the UK government unexpectedly announced that a majority of Britons had voted to leave the European Union. This result sent a shock wave through the bond and stock markets. The 10-year rate ended the quarter 29 basis points down on the first quarter at 1.49%. As for the stock market, this ended the quarter up 1.9% at 2099. In fact, the two days of sharp falls in the wake of the referendum were very quickly reversed, as the US stock market realised that the UK's exit would have very little impact on US growth. This sentiment was backed up by the job creation figures released at the start of July and the start of August – 271,000 and 275,000 respectively – boosting the stock market as well as rates. Even though the 10-year rate lost 40 or so points in the weeks following the referendum result, it ended August up by 8 basis points compared to the end of June and the stock market grew by 3.4%. A Fed rate increase was still considered a possibility for the September meeting, although the economic data published at the start of September made this much less likely. Job creation had slowed from 252,000 to 151,000 and the ISM manufacturing and services indexes fell to 49.4 and 51.4 respectively. Following the ECB's inaction and speculation about potential new measures by the Bank of Japan, September also witnessed a steepening of interest rate curves. It was no surprise that the Federal Reserve held its key rate



unchanged on 21 September. What did come as a surprise were the dissenting votes of three Fed officials, who favoured a 25 basis point increase. All in all, the stock market and rates both ended the third quarter virtually unchanged from the end of August. In October, the economic data started moving in the opposite direction. Third quarter growth was forecast at 3.5 % quarter-on-quarter (annualised). The ISM manufacturing index again crossed the 50 threshold to end the quarter on 54.7, and the ISM services index ended the year on 57.2. This improvement in business confidence is clearly linked to the surprise election of Donald Trump as President of the United States, bearing in mind the major stimulus packages he announced during the campaign. Overall, the stock market grew by 3.3% in the fourth quarter compared to the third, closing the year at 2239. The 10-year interest rate increased by more than 80 basis points to 2.45% at the end of December. The market was concerned about significant additional indebtedness and an even greater increase in inflation than had been expected in response to the higher oil price and continuing growth. Against this background, the Federal Reserve decided to raise its key rate for the first time in a year, by 25 basis points to 0.75%.

In the eurozone, at the start of 2016, news from Asia triggered falls in the stock markets and long-term interest rates. At its 21 January meeting, the ECB announced it would explore new measures to sustain growth and achieve its inflation target, finally allaying global fears; the PMI indicators (manufacturing and services) and the European Commission's confidence survey also helped, both still indicating eurozone growth close to 2%. On 10 March, the ECB announced it would reduce its deposit rate by ten basis points to -0.4%, the repo rate by five basis points (to 0%), and the marginal lending facility rate to 0.25%. It also indicated that its asset purchase programme would increase by 20 billion to 80 billion per month and that it would launch a new TLTRO (targeted long-term refinancing operation) with an attractive financing rate for banks. Over the quarter, the stock market was down by almost 7% compared with the end of 2015, at 187. As in the United States, the German 10-year interest rate fell by almost 50 basis points to 0.16%. Following the decisions taken in March by the ECB, the stock market and rates remained practically unchanged up to the end of May. First quarter growth was forecast at 2.0 % quarter-on-quarter (annualised). PMI and European Commission indicators continued to point towards further growth in employment, investment and consumption in the second quarter. However, the shock wave following the UK referendum result compounded the movement on the bond and stock markets triggered at the beginning of June in light of the disappointing employment figures in the United States. The German 10-year rate ended the quarter 28 basis points lower than the first quarter, on -0.13%, while the stock market ended the quarter down 4.6%. The two days of sharp falls in the wake of the referendum were in fact greater than in the United States (-10.8% compared with -6.4%) and the recovery has been much more moderate. Indeed, with certain bank stocks already under pressure, the referendum compounded the difficulties in Germany and, most worryingly, Italy. In early July, the uncertainty triggered a flight to safety. The German 10-year rate hovered between -0.2% and -0.05% until the end of August. Nevertheless, eurozone consumer and business confidence indexes held up well, allowing the European stock market to grow by 6.4% between the end of June and the end of August, aided by monetary easing by the Bank of England and the speed at which the new British government was formed. In early September, PMI indexes were looking good, as was the Commission's Economic Sentiment Indicator. Employment and investment continued to grow. As part of the general steepening of rate curves, the 10-year German rate moved towards 0% over the month. There was also an increase in volatility due to uncertainties around some German banks. All in all, as in the United States, the stock market and rates both ended the third quarter virtually unchanged from the end of August. The trend continued in the fourth quarter. Third quarter growth was forecast at 1.4 % quarter-on-quarter (annualised). The PMI manufacturing index rose to 53.5 in October to end the quarter on a five-year high of 54.9, and the PMI services index ended the year on 53.7. The IFO index for Germany, too, saw a net rise compared to the third quarter. The index was driven in particular by the current business situation component, which stood at its highest since 2011. As in the United States, despite the higher long-term rates – the German 10-year rate increased by 30 basis points over the quarter to end the year at +0.11% – the stock market grew by 7.8%. This stock market movement was clearly motivated by the expectation of higher global and US growth, but also by the ECB's decision on 8 December to extend its asset purchase programme to the end of 2017, albeit reduced from 80 to 60 billion per month. Finally, the economic context was also supported by the recent depreciation of the euro.

## Notes on annual report

### Annual performance 2016

- 1.16% (C Cap. FR0000438707)
- 1.73% (N Cap - FR0010988055)

The month of January 2016 will long be remembered as the worst start of any year since 1928. The negative performance of the markets was fuelled mainly by growing concern around the Chinese economic situation. The start of the year was also characterised by increased oil price volatility, which weighed on equities. The big European news was the vote in the United Kingdom on 23 June. The markets collapsed in the immediate aftermath. However, the indices gradually recovered in the weeks that followed. 2016 will also be remembered for Donald Trump's electoral victory in the United States. US long-term interest rates fell sharply, but they quickly picked up again. The markets seemed to be more focused on the fiscal stimulus promised by Mr Trump's programme and his comments.

Candriam Risk Arbitrage grew by -1.10% in the year 2016. In January and February we felt the impact of concerns about Chinese growth. The spread of risk arbitrage and diversification positions widened significantly at the start of the year. We decided to reduce our exposure to holding company discount arbitrage and to the share class, and to increase our exposure to merger/acquisition arbitrage from the middle of February. This repositioning suffered until the end of the first six months due to losing bets in stock market battles (Starwood -0.25% performance of Candriam Risk Arbitrage, Affymetrix -0.25% and Home Retail -0.24%). The performance recovery at the end of the first six months was also limited by the first transaction failure since December 2014 with Office Depot / Staples (-0.19% of the performance of CRA). Our fund repositioning strategy towards merger arbitrage transactions finally paid off in the second six months. We benefited from the stock market battles for control of Darty and Medivation and our merger/acquisition arbitrage positions tightened up to the end of the year.

We remain positive regarding mergers and acquisitions activity in Europe and North America. We anticipate that activity will be supported by medium size transactions. Statements from the ECB and the Fed still point towards a managed global environment. Nevertheless, market volatility combined with uncertainty around the direction of monetary policy in the various central banks, as well as the forthcoming elections in Europe, will potentially create volatility in merger arbitrage spreads. Our low global exposure means we can invest in any opportunities that may arise. We will continue to prioritise risk arbitrage situations.

## CREDIT DERIVATIVES

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We did not use credit derivatives over the period.

*Past performance may not be a reliable guide to future performance.*

## EFFICIENT PORTFOLIO MANAGEMENT TECHNIQUES

The exposures obtained through the temporary acquisition and sale of securities as at 29/12/2016 are summarised below.

These operations were contracted for the purpose of secure investment in cash (payment of cash against receipt of securities). The thresholds for triggering margin calls are between EUR 150,000 and EUR 500,000 depending on the counterparties.

Revenues arising from these operations amounted to EUR -283,141.88. This negative amount is due to the negative interest rates.

The full costs and revenues arising from these operations were attributed to the fund. Costs arising from these operations amounted to EUR -4,104 including taxes.

### 1. Reverse repo bonds

These operations amounted to a total of EUR 62,463,106.73. They were carried out with:

- Crédit du Nord
- Société Générale

In return for the cash paid out, the fund received as collateral government bonds denominated in EUR with a short-term issuer rating of at least A-1 or equivalent by the three principal ratings agencies and whose fair value at inception and upon each margin call was equal to 100% of the cash paid out.

## 2. Reverse repo equities

These operations amounted to a total of EUR 5,802,440.00. They were made with the following counterparties:

- Natixis

In return for the cash paid out, the fund received EUR denominated shares of large caps (>EUR 5 billion) as collateral, whose fair value at inception and upon each margin call was equal to 105 % of the cash paid out.

## Derivative financial instruments

The exposures obtained through listed financial instruments as at 29/12/2016 are summarised below.

### Equity swaps

The positions taken represent underlying exposures of EUR 22,852,888.74 long and EUR 11,786,537.20 short.

Equity swaps	Currency	Quantity	Amount in €
ABBOTT LABORATORIES INC	USD	-24,102	880,190.11
ALIBABA GROUP HOLDING LTD /ADR	USD	-13,986	1,164,158.67
AMC ENTERTAINMENT HOLDINGS INC	USD	8,347	272,120.09
BUZZI UNICEM	EUR	-44,700	1,021,487.85
CAIRO COMMUNICATION SPA	EUR	474,162	1,787,345.09
DANIELI+C.OFF.MECC.SPA	EUR	-24,000	462,376.84
DEPOMED INC	USD	54,182	907,787.02
ENTERTAINMENT ONE LTED	GBP	407,524	1,081,202.16
FIAT CHRYSLER AUTOMOBILES N.V	EUR	-33,266	287,396.63
FI CBM HOLDINGS N.V.	EUR	-34,765	288,717.44
FMC TECHNOLOGIES INC	USD	-38,569	1,307,040.97
GAMESA CORP.TECNOLOGICA SA	EUR	70,745	1,339,559.71
GFK SE	EUR	15,795	685,932.93
GROUPE FNAC SHS	EUR	36,492	2,317,955.30
HALDEX AB	SEK	100,737	1,227,163.11
HARMAN INTL INDUSTRIES INC	USD	11,920	1,261,046.04
HENKEL / VORZUG	EUR	-14,967	1,702,000.28
ISHARES /NASDAQ BIOTECH.INDEX	USD	-626	159,477.33
J.SAINSBURY PLC	GBP	468,410	1,364,327.99
LAGARDERE SCA /NOM.	EUR	-27,076	712,764.94
LAVENDON GROUP PLC	GBP	314,771	971,276.78
LSE GROUP	GBP	20,982	697,990.65
MARRIOTT INTL INC. A	USD	34,804	2,762,482.37
ORANGE	EUR	-71,609	1,029,976.06
SECTOR SPDR/CONSUM.STAPL.SEL.	USD	-19,980	989,709.98

SHIRE PLC	GBP	16,980	916,571.78
STAPLES INC	USD	-21,347	186,805.23
ST JUDE MEDICAL INC	USD	27,810	2,114,943.38
TDC	DKK	7,289	35,153.20
TELECOM ITALIA SPA	EUR	-203,625	171,443.96
TELECOM ITALIA SPA/RISP.N-CV	EUR	327,580	225,703.08
THE SWATCH GROUP AG	CHF	-3,000	883,402.83
THE SWATCH GROUP AG/NAM.	CHF	15,460	892,946.84
TWITTER INC	USD	17,282	269,789.72
UBISOFT ENTERTAINMENT	EUR	50,769	1,721,591.50
VINCI	EUR	-8,375	539,588.09

They were made with the following counterparties:

- Citigroup Global Markets Ltd - collateral: 590,000
- JP Morgan Securities- collateral: 310,000
- UBS Limited - collateral: 1,260,000
- Morgan Stanley – Collateral: 280,000

In these operations the fund pays initial margin amounts to counterparties (cash in EUR). Margin calls are through cash in EUR. The thresholds for triggering margin calls vary between EUR 250,000 and EUR 300,000 depending on the counterparties.

### Forward foreign exchange

FX EXPOSURE	EUR	CHF	SEK	DKK	USD	CAD	TOTAL
CHF/EUR 12/30/2016	-112 161.27	111 757.99					-403.28
EUR/CHF 03/16/2017	1 286 019.02	-1 286 293.70					-274.68
	112 206.47	-111 851.63					354.84
EUR/CAD 03/16/2017	606 665.89					-599 218.82	7 447.07
	281 775.67					-281 985.33	-209.66
EUR/DKK 03/16/2017	819 760.60			-820 158.49			-397.89
SEK/EUR 12/30/2016	-88 798.44		88 867.41				68.97
EUR/SEK 03/16/2017	2 667 603.83		-2 719 077.53				-51 473.70
	88 800.42		-88 892.92				-92.50
EUR/USD 03/16/2017	22 712 324.98				-23 093 503.52		-381 178.54
	1 954 452.67				-1 949 260.19		5 192.48
<b>TOTAL</b>	<b>30 328 649.84</b>	<b>-1 286 387.34</b>	<b>-2 719 103.04</b>	<b>-820 158.49</b>	<b>-25 042 763.71</b>	<b>-881 204.15</b>	<b>-420 966.89</b>

Forward foreign currency transactions are made for hedging purposes with the following counterparties:

- Société Générale
- JP Morgan
- Crédit Agricole.

#### Information on VaR for 2016:

maximum %	minimum %	average %
-5.87 %	-2.40 %	- 3.93 %

### SFTR REPORTING – Article 13

#### Unaudited additional information

REGULATION (EU) 2015/2365 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 November 2015

Transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012

#### Reverse repurchases

##### Global data (in EUR)

PA7125

CANDRIAM RISK ARBITRAGE

Name by counterparty	Currency	Maturity tenor	Nominal	Interest on reverse repo	Amount receivable on reverse repo
<b>Crédit du Nord</b>					
FRANCE 1% 12-25.07.17 BTAN	EUR	31/12/9999	2,956,000	- 2,138.77	2,998,104.04
FRANCE 1% 13-25.05.18 OAT	EUR	04/01/2017	3,884,000	- 1,571.32	3,999,251.94
FRANCE 1% 13-25.05.18 OAT	EUR	09/01/2017	4,857,000	- 1,542.28	4,999,078.53
FRANCE GOVT 1% 13-25.11.18	EUR	16/01/2017	1,937,000	- 430.70	1,999,755.21
<b>Société Générale</b>					
AUSTRIA 4.65% 03-15.01.18	EUR	06/02/2017	2,730,000	- 2,293.67	3,004,101.17
BELGIUM 1.25% 13-22.6.18	EUR	06/03/2017	12,000,000	- 3,913.22	12,424,754.98
FINLAND 3.5% 11-15.04.21	EUR	13/01/2017	5,010,000	- 6,096.21	5,992,372.58
FINLAND 3.5% 11-15.04.21	EUR	18/01/2017	3,340,000	- 3,802.07	3,994,912.96
ITALY 0.25% 15-15.05.18 /BTP	EUR	08/02/2017	1,493,000	- 890.95	1,503,277.69
ITALY 2.25% 16-01.09.36 /BTP	EUR	16/03/2017	4,082,000	- 738.41	3,999,621.59
ITALY 5.25% 98-29 BTP	EUR	08/02/2017	2,895,000	- 2,329.52	3,939,528.33
NETHERLANDS 1.25% 13-15.01.19	EUR	21/03/2017	6,650,000	- 971.61	7,001,478.39
NETHERLANDS 4% 08-15.07.18	EUR	08/02/2017	6,050,000	- 4,687.26	6,606,869.32
				<b>Total</b>	<b>62,463,106.73</b>

##### Concentration data (in EUR)

Ten largest collateral issuers	Volume	Amount of collateral
FRANCE	4	13,996,190
NETHERLANDS	2	13,608,348
BELGIUM	1	12,424,755
FINLAND	2	9,987,286
ITALY	3	9,442,428
AUSTRIA	1	3,004,101

Top 10 counterparties	Name of country	Volume	Global valuation
CREDIT DU NORD	France	4	13,996,190
Société Générale	France	9	48,466,917

**Aggregate transaction data for each type of securities financing transaction to be broken down according to the below categories (in EUR)**

Type of collateral	Volume	Amount of collateral
BONDS	13	62,463,107
EQUITIES	0	-
MONEY MARKET	0	-
CASH	0	-
<b>Total</b>	<b>13</b>	<b>62,463,107</b>

Quality of collateral	Volume	Amount of collateral
AA	4	13,996,190
AAA	2	13,608,348
AA+	3	12,991,387
AA-	1	12,424,755
BBB-	3	9,442,428
<b>Total</b>	<b>13</b>	<b>62,463,107</b>

Maturity tenor of collateral	Volume	Amount of collateral
Less than one day	0	-
One day to one week	0	-
One week to one month	0	-
One month to three months	0	-
Three months to one year	0	-
More than one year	13	62,463,107
Open	0	-
<b>Total</b>	<b>13</b>	<b>62,463,107</b>

Currency of cash collateral	Volume	Amount of collateral

Currency of collateral in securities	Volume	Amount of collateral
EUR	13	62,463,107
<b>Total</b>	<b>13</b>	<b>62,463,107</b>

Maturity tenor of the securities financing transactions	Volume	Global valuation
Less than one day	0	-
One day to one week	1	6,997,356
One week to one month	4	16,986,119
One month to three months	7	38,479,631
Three months to one year	0	-
More than one year	1	-
Open	0	-
<b>Total</b>	<b>13</b>	<b>62,463,107</b>

Country in which the counterparties are established	Volume	Global valuation
France	2	62,463,107
<b>Total</b>	<b>2</b>	<b>62,463,107</b>

Settlement and clearing	Global valuation
Bilateral	62,463,107
<b>Total</b>	<b>62,463,107</b>

#### Data on reuse of collateral (in EUR)

Collateral received which is reinvested	-
---	---

Cash collateral reinvestment returns to the collective investment undertaking	-
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#### Safekeeping of collateral received by the collective investment undertaking as part of securities financing transactions (in EUR)

Names of depositaries	Amount of collateral assets
RBC France	62,463,107

Type of account
Separate accounts

#### Data on return and cost for each type of securities financing transaction (in EUR)

Fund name	Global return
CANDRIAM RISK ARBITRAGE	(283,141.88)
<b>Total</b>	<b>(283,141.88)</b>

## INFORMATION RELATING TO THE REMUNERATION POLICY - UCITS

Information relating to the remuneration policy:

Directive 2014/91/EU amending Directive 2009/65/EC on certain undertakings for collective investment in transferable securities came into force on 18 March 2016. It was transposed into national law by the Luxembourg law of 10 May 2016 transposing Directive 2014/91/EU. These new legal arrangements require the fund to publish in its annual financial statements information about the remuneration of certain identified staff. The remuneration information required by the above legislation will be available to the management company at the end of this financial year, for inclusion in the next annual financial statements of the fund. The management company's remuneration policy is available from <http://www.candriam.com>

## USE OF VOTING RIGHTS

We refer to the report issued by the management company in accordance with article 322-76 of the General Regulations of the Autorité des Marchés Financiers. This report is available for a period of four months following the end of the management company's financial year (end of December).

## BROKER AND COUNTERPARTY SELECTION AND EVALUATION PROCEDURE

Candriam selects intermediaries to which it sends orders for execution for the major classes of financial instruments (bonds, shares, derivative products). The selection is mainly based on the intermediary's execution policy and subject to the "Selection policy for financial intermediaries to which Candriam sends orders for execution on behalf of the UCIs it manages".

The main execution factors considered are: price, cost, speed, probability of execution and settlement, size and type of order.

In application of the broker and counterparty selection and evaluation procedure and further to the request of the asset manager, the Candriam Broker Review approves or refuses any new broker application.

Therefore pursuant to this policy, a list by type of instruments (shares, interest rates, money market, derivatives) of the authorised brokers and a list of the authorised counterparties are kept.

Furthermore, on a periodic basis and as part of the Broker Review, the list of approved brokers is reviewed so as to evaluate them on the basis of various filters and make any appropriate and necessary changes.

Report on intermediary fees:

We refer to the report issued by the management company in accordance with article 31482 of the general regulations of the Autorité des Marchés Financiers.

This report is available from the management company's web site [www.candriam.com](http://www.candriam.com).

### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE QUALITY CRITERIA**

From 1 July 2012, information on inclusion of environmental, social and governance quality criteria (ESG) will be available on the web site [www.candriam.com](http://www.candriam.com) and will be included in the annual report



**ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2016**

**BALANCE SHEET - ASSETS**

	2016 financial year	2015 financial year
<b>NET FIXED ASSETS</b>	-	-
<b>DEPOSITS</b>	-	-
<b>FINANCIAL INSTRUMENTS</b>		
<b>Equities and equivalent securities</b>		
Traded on a regulated or equivalent market	44,275,514.25	51,504,230.28
Not traded on a regulated or equivalent market	-	-
<b>Bonds and equivalent securities</b>		
Traded on a regulated or equivalent market	-	-
Not traded on a regulated or equivalent market	-	
<b>Debt securities</b>		
Traded on a regulated or equivalent market		
<i>Negotiable debt securities</i>	-	-
<i>Other debt securities</i>	-	-
Not traded on a regulated or equivalent market	-	-
<b>Undertakings for collective investment</b>		
General UCITS and AIFs aimed at non-professionals and equivalents in other countries	7,348,263.22	-
Other funds aimed at non-professionals and equivalents in other countries which are Member States of the European Union	-	-
General professional funds and equivalents in other countries which are Member States of the European Union and listed securitisation vehicles	-	-
Other professional investment funds and equivalents in other countries which are Member States of the European Union and unlisted securitisation vehicles	-	-
Other non-European undertakings	-	-
<b>Temporary securities transactions</b>		
Receivables representing reverse repurchase agreements	62,463,106.73	95,524,682.14
Claims representing securities loaned	-	-
Securities borrowed	5,802,440.00	-
Repurchase agreements	-	-
Other temporary transactions	-	-
<b>Financial contracts</b>		
Transactions on a regulated or equivalent market	-	-
Other transactions	766,091.87	1,277,765.04
<b>Other financial instruments</b>	-	-
<b>RECEIVABLES</b>		
Foreign currency forward exchange transactions	30,730,234.95	38,740,426.69
Other	8,021,503.82	4,988,143.71
<b>CASH AND BANKS</b>		
Cash	10,561,633.09	12,108,097.46
<b>TOTAL ASSETS</b>	<b>169,968,787.93</b>	<b>204,143,345.32</b>

## BALANCE SHEET LIABILITIES

	2016 financial year	2015 financial year
<b>EQUITY CAPITAL</b>		
<b>Capital</b>	133,180,393.61	163,874,067.62
<b>Earlier undistributed capital gains and losses (a)</b>	-	-
<b>Retained earnings (a)</b>	-	-
<b>Net capital gains and losses during financial year (a, b)</b>	-3,002,111.47	2,144,624.94
<b>Profit for the year (a, b)</b>	-224,857.86	-1,461,023.83
<b>TOTAL EQUITY</b> (= amount representative of net assets)	<b>129,953,424.28</b>	<b>164,557,668.73</b>
<b>FINANCIAL INSTRUMENTS</b>		
<b>Disposals of financial instruments</b>	-	-
<b>Temporary securities transactions</b>		
Debts representing repurchase agreements	-	-
Debts representing securities borrowed	5,803,860.82	-
Other temporary transactions	-	-
<b>Forward financial instruments</b>		
Transactions on a regulated or equivalent market	-	-
Other transactions	929,282.92	605,996.52
<b>DEBTS</b>		
Foreign currency forward exchange transactions	31,151,201.84	38,681,706.49
Other	193,180.79	297,973.58
<b>CASH AND BANKS</b>		
Current bank lending	1,937,837.28	-
Borrowings	-	-
<b>TOTAL LIABILITIES</b>	<b>169,968,787.93</b>	<b>204,143,345.32</b>

a) Including adjustment accounts

b) Less interim dividends paid over the financial year

**OFF-BALANCE SHEET**

	2016 financial year	2015 financial year
<b>HEDGING TRANSACTIONS</b>		
- <i>Commitments on regulated or equivalent markets</i>		
- <i>OTC commitments</i>		
- <i>Other commitments</i>		
<b>OTHER TRANSACTIONS</b>		
- <i>Commitments on regulated or equivalent markets</i>		
- <i>OTC commitments</i>		
ABBOTT LABORATORIES INC	880,190.11	-
AIRGAS INC. *OPA*	-	3,117,800.06
ALCATEL-LUCENT	-	6,240,877.35
ALIBABA GROUP HOLDING LTD /ADR	1,164,158.67	410,961.85
ALTICE N.V.	-	435,300.67
AMC ENTERTAINMENT HOLDINGS INC	272,120.09	-
BARRICK GOLD CORP	-	836,969.80
BHF KLEINW BEN GRP SA	-	2,375,168.66
BOUYGUES	-	851,073.00
BUZZI UNICEM	1,021,487.85	742,334.95
CAIRO COMMUNICATION SPA	1,787,345.09	-
CASINO GUICHARD-PERRACH	-	613,098.32
COMCAST CORP/-A-	-	2,081,389.08
DANIELI+C.OFF.MECC.SPA	462,376.84	422,714.86
DEPOMED INC	907,787.02	-
ENTERTAINMENT ONE LTED	1,081,202.16	-
FAIRCHILD SEMICOND. INTL INC	-	2,589,147.99
FI CBM HOLDINGS N.V.	288,717.44	206,134.27
FIAT CHRYSLER AUTOMOBILES N.V	287,396.63	353,133.30
FMC TECHNOLOGIES INC	1,307,040.97	-
GAMESA CORP.TECNOLOGICA SA	1,339,559.71	-
GFK SE	685,932.93	-
GROUPE FNAC SHS	2,317,955.30	-
HALDEX AB	1,227,163.11	-
HARMAN INTL INDUSTRIES INC	1,261,046.04	-
HENKEL / VORZUG	1,702,000.28	1,119,638.54
ISHARES /NASDAQ BIOTECH.INDEX	159,477.33	-
J.SAINSBURY PLC	1,364,327.99	-
LAGARDERE SCA /NOM.	712,764.94	-
LAVENDON GROUP PLC	971,276.78	-
LSE GROUP	697,990.65	-
MARRIOTT INTL INC. A	2,762,482.37	-

	2016 financial year	2015 financial year
MERCK KGAA	-	654,219.37
MIRCOSEMI CORP.	-	1,115,041.27
MYLAN N.V.	-	503,432.18
NOKIA OY	-	4,717,985.26
OCATA THERAPEUTICS INC	-	3,188,593.43
ORANGE	1,029,976.06	1,259,377.38
PEP BOYS-MANNY MOE+J.	-	1,709,310.12
RIGHT TOTAL SA 06.01.16	-	4,370.65
SABMILLER PLC	-	4,087,109.63
SANDISK CORP	-	1,692,158.34
SECTOR SPDR/CONSUM.STAPL.SEL.	989,709.98	-
SHIRE PLC	916,571.78	1,341,957.19
ST JUDE MEDICAL INC	2,114,943.38	-
STAPLES INC	186,805.23	654,987.45
TDC	35,153.20	-
TELECOM ITALIA SPA	171,443.96	2,539,604.06
TELECOM ITALIA SPA/RISP.N-CV	225,703.08	2,738,818.42
THE SWATCH GROUP AG	883,402.83	973,130.12
THE SWATCH GROUP AG/NAM.	892,946.84	973,119.11
TWITTER INC	269,789.72	-
UBISOFT ENTERTAINMENT	1,721,591.50	-
USG PEOPLE NV	-	3,345,401.36
VINCI	539,588.09	211,510.88
- <b>Other commitments</b>		

**INCOME STATEMENT (in euros)**

	2016 financial year	2015 financial year
<b>INCOME ON FINANCIAL TRANSACTIONS</b>		
Income on deposits and cash and banks	6,404.22	6,617.15
Income on equities and equivalent securities	1,285,363.52	498,654.45
Income on bonds and equivalent securities	-	-
Income on debt securities	-	-
Income on temporary purchases and sales of securities	-	-
Income on forward financial instruments	28,025.53	8,353.28
Other financial income	-	-
<b>TOTAL I</b>	<b>1,319,793.27</b>	<b>513,624.88</b>
<b>CHARGES ON FINANCIAL TRANSACTIONS</b>		
Charges on temporary purchases and sales of securities	-283,141.88	-112,451.58
Charges on forward financial instruments	-394,108.04	-228,413.06
Charges on financial debts	-9,678.53	-13,906.81
Other financial charges	-	-
<b>TOTAL II</b>	<b>-686,928.45</b>	<b>-354,771.45</b>
<b>PROFIT/LOSS ON FINANCIAL TRANSACTIONS (I - II)</b>	<b>632,864.82</b>	<b>158,853.43</b>
Other income (III)	-	-
Management fees and depreciation charges (IV)	-871,798.96	-1,448,368.78
<b>NET PROFIT/LOSS FOR THE FINANCIAL YEAR (L. 214-17-1) (I - II + III - IV)</b>	<b>-238,934.14</b>	<b>-1,289,515.35</b>
Revenue adjustment for the financial year (V)	14,076.28	-171,508.48
Advance payments on profit for the financial year (VI)	-	-
<b>PROFIT/LOSS (I - II + III - IV +/- V - VI)</b>	<b>-224,857.86</b>	<b>-1,461,023.83</b>

## NOTE

### I ACCOUNTING RULES AND METHODS

The annual accounts are submitted in accordance with Regulation ANC 2014-01 repealing Regulation CRC 2003-02 and subsequent amendments.

#### Valuation method

Equities, warrants and rights:

Equities are valued at the closing price on the various stock exchanges on the reference date.

ETFs and UCIs

ETFs and UCIs are valued at the net asset value representative of the markets on the reference date or in the absence thereof the preceding date.

Bonds

Bonds are valued at the closing price on the basis of contributor prices on the reference date.

Negotiable debt securities and other money market instruments

Negotiable debt securities are valued at the closing price on the basis of contributor prices on the reference date.

Negotiable debt securities and other money market instruments with a residual maturity of less than or equal to three months may be valued according to the straight-line method. In the event of the deterioration of the quality of credit of one or more issuers which considerably affects the net asset value, the straight-line method will be abandoned and the negotiable debt security/money market instrument will then be valued to reflect this deterioration.

Futures and options on organised markets

These financial instruments are valued at the closing prices on the various futures markets on the reference date.

Spot exchange rates

The spot exchange rates are valued from the market data available from specialised data providers.

Forward foreign exchange

Forward exchange is valued on the basis of the market data available from specialised data suppliers (spot price, interest rate curve, etc.).

Credit derivatives and credit derivative indices

Credit derivatives are calculated based on models validated by the management company, using market data such as the spread curve, interest rate curve, etc., available from specialised data providers. The prices obtained are compared with those of the counterparties.

Swaps

Swaps are calculated in the systems with the market data available on Bloomberg such as interest rate curve, etc.

Other OTC derivatives

OTC products are calculated based on models validated by the management company, using the market data available on Bloomberg (volatility, interest rate curve, etc.).

The prices obtained from the models are compared with those of the counterparties.

Repurchase and reverse repurchase agreements, lending and borrowing of securities

Repurchase agreements, reverse repurchase agreements and securities borrowing/lending are valued at cost plus interest.

For contracts exceeding three months, the credit spread of the counterparty may be revalued.

#### Exceptional treatment

Debt securities (bonds, negotiable debt securities, money market instruments, etc.) in which there are not significant amounts of transactions or for which the price is clearly not representative of the market, may be valued on the basis of an estimated method and under the responsibility of the management company. In addition, the actuarial method may be used, the rate applied being that for issues of equivalent securities, where applicable, allocated by a differential representative of the intrinsic characteristics of the issuer of the security.

Options in which there are not significant amounts of transactions and/or for which the price is clearly not representative of the market, may be valued on the basis of a method representative of the close of the market at responsibility of the management company.

#### Main sources

The principal specialised data providers for valuations are Bloomberg, Reuters and CMA. The management company may, nevertheless, change these at its own responsibility if it deems appropriate.

#### Off-balance sheet items:

The off-balance sheet commitment relating to interest rate swaps corresponds to the nominal contract value.

The off-balance sheet commitment on French and foreign futures and options markets is calculated based on the regulations in force:

- Futures: quantity by nominal amount by trading price in the contract currency,
- Options: quantity by delta by unit of trading by price of the underlying in the contract currency.

The off-balance sheet commitment in equity swaps is calculated in accordance with applicable procedures: quantity by price of the underlying in each currency plus or minus interest accrued on the interest rate component.

#### **Method for determining total risk**

The total risk of the UCITS is calculated as the absolute VaR. The absolute VaR corresponds to the potential loss in 99% of cases over a period of 20 business days under normal market conditions. The VaR level for a 99% confidence range is below 20%.

In addition to the VaR, we calculate a stress test specific to cash or share tender offer transactions in order to quantify the risks associated with the price variations specific to this type of transaction. In most cases, where a company is the subject of a cash or share tender offer, the share price reacts to the offer; it tends to move towards the offer price if the market expects the offer to be successful, and will fall sharply if the market does not expect the offer to be successful. Other events can affect the share price throughout the offer period. For example, a competing offer could be made, the price of the first offer could be increased, the payment method could change, etc. Fluctuations in the share price caused by these types of changes will also impact on the risk associated with each strategy.

#### **Accounting method**

The accounting currency of CANDRIAM RISK ARBITRAGE is the euro.

The different fixed-income investment products of CANDRIAM RISK ARBITRAGE, a capitalisation fonds commun de placement, are accounted on an accrued interest basis.

The management company did not opt to distribute net capital gains or losses for the 2014 financial year and so they will be capitalised.

Purchases and sales of securities are accounted exclusive of fees.

#### **Operating and management fees:**

These cover all the costs billed directly to the UCITS apart from the transaction fees. Transaction fees include intermediary fees (brokerage, stock exchange duties, etc.) and any transfer fees, where applicable, which may be collected notably by the depositary and the management company.

In addition to the operating and management fees, there may be:

- Outperformance fees. These are paid to the management company if the UCITS outperforms its objectives. They are therefore billed to the UCITS
- Movement commissions billed to the UCITS

Fees charged to the fund	Calculation basis	Rate/amount incl. taxes
Management fees and management fees external to the portfolio management company (auditors, depositary, distribution, lawyers)	Net assets	C units: maximum 0.80% * I units: maximum 1.20% *
Maximum indirect costs (commissions and management fees)	Net assets	Not significant **
Outperformance fee	Net assets	20% of performance above EONIA performance*
Transfer fees paid to the depositary	Levied on each transaction	Maximum EUR 80/transaction***

\* since the management company has opted out of VAT, these fees are charged excluding VAT and their amount including taxes is equal to their amount excluding taxes.

\*\* the fund invests a maximum of 10% in UCIs,

\*\*\* maximum amount that varies according to the instruments used

Methods of calculating and sharing of fees from temporary acquisitions and sales of securities transactions (efficient portfolio management techniques):

These transactions, if carried out, must be conducted under market conditions. The proceeds of these transactions will be paid in full to the UCITS.

Outperformance fees:

20% of the fund's outperformance as defined below.

On each fund valuation date, a benchmark asset is established based on all net subscriptions received over the period plus the share of subscription fees paid to the fund being invested in a theoretical investment at the EONIA annual rate (with the net book value of assets at the end of the previous financial year being treated as a new subscription at the beginning of the following period).

In the event of redemption, the latest benchmark asset calculated and the previous day's cumulative amount of subscriptions received are reduced beforehand in proportion to the number of units redeemed. Similarly, a proportion of any provision for variable management fees on the total assets at the latest valuation date is permanently allocated to a specific third party account in proportion to the number of units redeemed. This proportion of the variable management fees is paid to the asset manager when the redemption occurs.

When the fund is valued, if the accounting balance, defined as the net book value of the assets after deducting the variable management fees on redemptions, but excluding the provision for variable management fees corresponding to the units still in issue, is greater than the benchmark asset, an outperformance (or in the opposite case, an underperformance) is recorded. The provision for variable management fees on the outstanding amount is adjusted to 20 % of the amount of this new outperformance by allocation or reversal of a provision before calculating the net asset value. Provisions written back will not exceed the provision charges. Provisions for variable management fees charged on total assets are only payable to the management company in respect of the amount at the end of the financial year.

The reference period is a financial year.

### Commitment calculation method

The commitment ratio of the UCITS is calculated using the VaR probabilistic method. The VaR corresponds to the potential loss in 99 % of cases over a period of 20 business days under normal market conditions. The VaR level for a 99 % confidence range is below 20 %.

An indication of the planned leverage of the UCITS, calculated as the nominal sum of positions in the financial contracts used, is 200%.



## 2. CHANGES IN NET ASSETS (in euros)

		2016 financial year	2015 financial year
<b>Net assets at the start of the financial year</b>		164,557,668.73	138,100,163.08
Subscriptions (including subscription fees paid to the UCITS)	+	25,418,142.82	91,686,875.65
Redemptions (excluding redemption fees paid to the UCITS)	-	57,664,594.00	65,503,360.66
Capital gains realised on deposits and financial instruments	+	7,478,618.18	8,362,056.69
Capital losses realised on deposits and financial instruments	-	8,164,880.01	6,263,408.96
Capital gains realised on forward financial instruments	+	18,634,466.15	11,362,450.47
Capital losses realised on forward financial instruments	-	20,460,206.10	12,235,877.89
Transaction fees	-	210,698.63	203,813.12
Exchange differences	+/-	-1,113,345.36	+1,147,215.89
Change in valuation difference of deposits and financial instruments:			
Valuation difference financial year N	+/-	+3,834,841.06	+1,277,455.37
Valuation difference financial year N-1	+/-	-1,277,455.37	-2,680,523.87
Change in valuation difference of forward financial instruments:			
Valuation difference financial year N	+/-	-151,127.98	+689,072.26
Valuation difference financial year N-1	+/-	-689,072.26	+108,879.17
Distribution in previous year of net capital gains and losses	-	-	-
Distribution in the previous financial year from profit	-	-	-
Net profit/loss for the financial year before adjustment account	+/-	-238,934.14	-1,289,515.35
Interim payment(s) during the financial year from net capital gains and losses	-	-	-
Interim payment(s) during the financial year from profit	-	-	-
Other components	+/-	+1.19*	-
<b>NET ASSETS AT THE END OF THE FINANCIAL YEAR</b>		<b>129,953,424.28</b>	<b>164,557,668.73</b>

\* Balance from merger with Candriam Long Short Arbitrage

### 3. ADDITIONAL INFORMATION

#### 3.1 Financial instruments: breakdown by legal or economic instrument type

##### Breakdown of assets

Nil

##### Breakdown of liabilities

Nil

##### Breakdown of off-balance sheet items

	Interest rates	Equities	Foreign exchange	Other
<b>Other transactions</b>				
OTC commitments				
EQUITY SWAPS		34,639,425.94		

#### 3.2 Breakdown by type of rate of assets, liabilities and off-balance sheet items

	Fixed rate	Variable rate	Revisable rate	Other
<b>ASSETS</b>				
Deposits	-	-	-	-
Bonds and equivalent securities	-	-	-	-
Debt securities	-	-	-	-
Temporary securities transactions	-	75,412,686.73	-	-
Cash and banks	-	-	-	10,561,633.09
<b>LIABILITIES</b>				
Temporary securities transactions	-	5,803,860.82	-	-
Cash and banks	-	-	-	1,937,837.28
<b>OFF-BALANCE SHEET</b>				
Hedging transactions	-	-	-	-
Other transactions	-	-	-	-

### 3.3 Breakdown by residual maturity of assets, liabilities and off-balance sheet items

	0-3 months]	]3 months - 1 year]	]1 year - 3 years]	]3 years - 5 years]	> 5 years
<b>ASSETS</b>					
Deposits	-	-	-	-	-
Bonds and equivalent securities	-	-	-	-	-
Debt securities	-	-	-	-	-
Temporary securities transactions	75,412,686.73	-	-	-	2,998,104.05
Cash and banks	10,561,633.09	-	-	-	-
<b>LIABILITIES</b>					
Temporary securities transactions	12,951,000.82	-	-	-	-
Cash and banks	1,937,837.28	-	-	-	-
<b>OFF-BALANCE SHEET</b>					
Hedging transactions	-	-	-	-	-
Other transactions	-	-	-	-	-

### 3.4 Breakdown by listing or valuation currency of assets, liabilities and off-balance sheet items

ASSETS	AUD	CAD	CHF	CZK	DKK
Equities and equivalent securities	-	802,045.27	1,373,312.66	-	818,449.63
Bonds and equivalent securities	-	-	-	-	-
UCI securities	-	-	-	-	-
Debt securities	-	-	-	-	-
Temporary securities transactions	-	-	-	-	-
Receivables	-	-	111,757.99	-	-
Cash and banks	7,326.73	-	-	1.48	1,871.50
<b>LIABILITIES</b>					
Disposals of financial instruments	-	-	-	-	-
Temporary securities transactions	-	-	-	-	-
Debts	-	881,204.15	1,398,145.33	-	820,158.49
Cash and banks	-	132,821.55	101,430.63	-	-
<b>OFF-BALANCE SHEET</b>					
Hedging transactions	-	-	-	-	-
Other transactions	-	-	1,776,349.66	-	35,153.20

ASSETS	GBP	HKD	NOK	SEK	USD
Equities and equivalent securities	-	-	-	2,793,652.32	24,768,062.96
Bonds and equivalent securities	-	-	-	-	-
UCI securities	-	-	-	-	-
Debt securities	-	-	-	-	-
Temporary securities transactions	-	-	-	-	-
Receivables	17,851.13	-	-	88,867.41	15,812.69
Cash and banks	38,210.28	619.74	6,933.88	-	121.33
<b>LIABILITIES</b>					
Disposals of financial instruments	-	-	-	-	-
Temporary securities transactions	-	-	-	-	-
Debts	-	-	-	2,807,970.45	25,053,744.45
Cash and banks	-	-	-	81,058.12	1,622,526.98
<b>OFF-BALANCE SHEET</b>					
Hedging transactions	-	-	-	-	-
Other transactions	5,031,369.37	-	-	1,227,163.11	12,275,550.92

### 3.5 Receivables and payables: breakdown by type

#### Receivables:

Countervalue EUR/forward currency sale	EUR	30,529,609.55
Collateral on borrowings Securities	EUR	5,312,219.50
CITI collateral	EUR	670,000.00
Forward currency purchase - CHF	EUR	111,757.99
Coupons-Dividends receivable - GBP	EUR	17,851.13
Société Générale collateral	EUR	271,000.00
Forward currency purchase - SEK	EUR	88,867.41
Deutsche Bank collateral	EUR	210,000.00
JPM collateral	EUR	380,000.00
Coupons-Dividends receivable - USD	EUR	15,812.69
UBS collateral	EUR	1,071,000.00
Accrued interest collat. and cash	EUR	1,030.50
Allowances receivable	EUR	72,590.00
<b>- TOTAL RECEIVABLES</b>	<b>EUR</b>	<b>38,751,738.77</b>

#### Debts:

Morgan Stanley collateral	EUR	30,000.00
Provs. for management fees	EUR	64,917.30
Forward currency sale - CHF	EUR	1,286,293.70
Forward currency sale - CHF	EUR	111,851.63

Forward currency sale - CAD	EUR	599,218.82
Forward currency sale - USD	EUR	23,093,503.52
Purchases with deferred settlement	EUR	10,980.74
Repurchase int. receivable	EUR	370.95
Forward currency sale - SEK	EUR	88,892.92
Forward currency sale - USD	EUR	1,949,260.19
Forward currency sale - CAD	EUR	281,985.33
Purchases with deferred settlement	EUR	14,321.80
Forward currency sale - SEK	EUR	2,719,077.53
Forward currency sale - DKK	EUR	820,158.49
Allowances to be paid back	EUR	72,590.00
Countervalue EUR/forward currency sale	EUR	200,959.71
<b>- TOTAL DEBTS</b>	<b>EUR</b>	<b>31,344,382.63</b>

### 3.6 Equity capital

#### Number and value of shares issued and redeemed

##### C

	Number	Amount in euros
<b>Issues</b>		
- C units	10,149.187	25,320,281.43
<b>- overall</b>	<b>10,149.187</b>	<b>25,320,281.43</b>
<b>Redemptions</b>		
- C units	23,118.51	57,475,334.89
<b>- overall</b>	<b>23,118.51</b>	<b>57,475,334.89</b>

##### N

	Number	Amount in euros
<b>Issues</b>		
- C units	97.038	97,861.39
<b>- overall</b>	<b>97.038</b>	<b>97,861.39</b>
<b>Redemptions</b>		
- C units	189.755	189,259.11
<b>- overall</b>	<b>189.755</b>	<b>189,259.11</b>

##### Class: C

Amount of subscription fees paid to the fund	EUR	0.00
Amount of redemption fees paid to the fund	EUR	0.00

##### Class: N

Amount of subscription fees paid to the fund	EUR	0.00
Amount of redemption fees paid to the fund	EUR	0.00

### 3.7 Management fees

**By amount:*****Class: N***

Fixed management fees	EUR	1,589.64
Management fee-sharing	EUR	-
Variable management fees	EUR	N/A

***Class: C***

Fixed management fees	EUR	870,209.32
Management fee-sharing	EUR	-
Variable management fees	EUR	N/A

**As a percentage incl. tax of the average net assets:*****Class: N***

Fixed management fees	1.20%
Management fee-sharing	-

***Class: C***

Fixed management fees	0.63%
Management fee-sharing	-

**3.8 Commitments given and received**

JPM collateral	EUR	380,000.00
UBS Limited collateral	EUR	1,071,000.00
Morgan Stanley collateral	EUR	30,000.00
Société Générale collateral	EUR	271,000.00
Deutsche Bank collateral	EUR	210,000.00
Citigroup Global Markets Ltd collateral	EUR	670,000.00

**3.9 Other information****Current value of financial instruments coming under a temporary purchase**

- Sell/buy-backs	EUR	-
- Repurchase agreements:		
- in equities	EUR	-
- in bonds	EUR	62,522,693.37
- in negotiable debt securities	EUR	-

**Actual value of financial instruments constituting collateral**

-Securities received as collateral and not registered in the securities portfolio	EUR	-
-Securities given as collateral and not registered in the securities portfolio	EUR	-

**Units or shares held by the fund in UCITS promoted or managed by an entity of the CANDRIAM Asset Management group**

UCITS held	Quantity held	Amount held	% of net assets
CANDRIAM MONET -V-	73.00	7,348,263.22	5.65%
<b>Total</b>		<b>7,348,263.22</b>	<b>5.65%</b>

**Securities held issued by an entity of the CANDRIAM Asset Management group**

Nil

**Derivative financial instruments held issued by an entity of the CANDRIAM Asset Management group**

Nil

**3.10 Allocation of distributable income**

**Advance payments on profit for the financial year**

Nil

**Advance payments on net capital gains and losses for the financial year**

Nil

**Allocation of distributable income from profit**

**N class (euro)**

Allocation of distributable income from profit	2016 financial year	2015 financial year
<b>Amounts to be allocated</b>		
Retained earnings	-	-
Profit/loss	-829.14	-4,651.99
<b>Total</b>	<b>-829.14</b>	<b>-4,651.99</b>
<b>Allocation</b>		
Distribution	-	-
Retained earnings for the financial year	-	-
Capitalisation	-829.14	-4,651.99
<b>Total</b>	<b>-829.14</b>	<b>-4,651.99</b>
Number of shares or units	-	-
Per-unit distribution	-	-
<b>Tax credit attached to distribution of profit</b>	<b>-</b>	<b>-</b>

### C class (euro)

Allocation of distributable income from profit	2016 financial year	2015 financial year
<b>Amounts to be allocated</b>		
Retained earnings	-	-
Profit/loss	-224,028.72	-1,456,371.84
<b>Total</b>	<b>-224,028.72</b>	<b>-1,456,371.84</b>
<b>Allocation</b>		
Distribution	-	-
Retained earnings for the financial year	-	-
Capitalisation	-224,028.72	-1,456,371.84
<b>Total</b>	<b>-224,028.72</b>	<b>-1,456,371.84</b>
Number of shares or units	-	-
Per-unit distribution	-	-
<b>Tax credit attached to distribution of profit</b>	<b>-</b>	<b>-</b>

### Allocation of distributable income from net capital gains and losses

#### C Capitalisation (euro)

Allocation of distributable income from net capital gains and losses	2016 financial year	2015 financial year
<b>Amounts to be allocated</b>		
Earlier undistributed capital gains and losses	-	-
Net capital gains and losses during financial year	-2,998,102.90	2,141,110.58
Advance payments on net capital gains and losses for the financial year	-	-
<b>Total</b>	<b>-2,998,102.90</b>	<b>2,141,110.58</b>
<b>Allocation</b>		
Distribution	-	-
Undistributed net capital gains and losses	-	-
Capitalisation	-2,998,102.90	2,141,110.58
<b>Total</b>	<b>-2,998,102.90</b>	<b>2,141,110.58</b>
<b>Information on shares or units with distribution rights</b>		
Number of shares or units	-	-
Per-unit distribution	-	-



## N Capitalisation (euro)

Allocation of distributable income from net capital gains and losses	2016 financial year	2015 financial year
<b>Amounts to be allocated</b>		
Earlier undistributed capital gains and losses	-	-
Net capital gains and losses during financial year	-4,008.57	3,514.36
Advance payments on net capital gains and losses for the financial year	-	-
<b>Total</b>	-4,008.57	3,514.36
<b>Allocation</b>		
Distribution	-	-
Undistributed net capital gains and losses	-	-
Capitalisation	-4,008.57	3,514.36
<b>Total</b>	-4,008.57	3,514.36
<b>Information on shares or units with distribution rights</b>		
Number of shares or units	-	-
Per-unit distribution	-	-

### 3.11 Table of profit/loss and other characteristic elements of the fund over the last five financial years

	29/12/2016	30/12/2015	30/12/2014	30/12/2013	30/12/2012
<b>Net Assets (in millions of euros)</b>	129.95	164.56	138.10	45.99	52.17
<b>Number of securities</b>					
C - C units	51,633.838	64,603.161	54,572.226	18,387.102	21,169.40
N - C units	171.527	264.244	40.75	83.531	293.065
<b>Unit net asset value</b>					
C - C units	2,513.48	2,543.02	2,529.82	2,496.49	293.07
N - C units	1,005.34	1,023.00	1,025.01	1,014.72	999.05
<b>Per-unit distribution from net capital gains and losses (including interim payments)</b>	-	-	-	-	-
<b>Per-unit distribution from profit (including interim payments)</b>	-	-	-	-	-
<b>Per-unit tax credit (A)</b>	-	-	-	-	-
<b>Per-unit capitalisation from profit</b>	-	-	-	-	-
C - C units	-4.33	-22.54	-18.21	-19.75	-14.07
N - C units	-4.83	-17.60	-10.14	-9.26	-21.74
<b>Per-unit capitalisation from net capital gains and losses</b>	-	-	-	-	-
C - C units	-58.06	33.14	-6.23	39.34	-
N - C units	-23.37	13.29	-2.19	15.99	-

### **3.12 Net asset value:**

EUR 30/12/2016 12:1

(NAV 0) PA7125 CANDRIAM RISK ARBITRAGE

Situation : 29/12/2016

Actif Net

Part	Devise	VL (devise)	VL (cvt)	Nombre de parts	Actif net (devise)	Actif net (cvt)	Taux de change	Montant change à terme (devise de la classe)	Taux de couverture	Ecart de couverture
AC	EUR	2 513,48	51 633,838			129 780 979,08	1,	0,00		
NC	EUR	1 005,34	171,627			172 441,36	1,	0,00		
<b>Total</b>						<b>129 953 420,44</b>				
Ecart Actif Net		0,00								

Actif Net

Situation : 29/12/2016

(NAV O) PA7125 CANDRIAM RISK ARBITRAGE

EUR 30/12/2016 12:37:24

Code ISIN	Libellé	Dev. ext.	Quantité / Nominal	Prix de revient (dev)	Taux de change	Cours (dev)	Indice (dev)	NAV (dev)	Val. Boursière (dev)	Val. Bours. / Act. net
IT000387540	AMEALDO STE SPA	EUR	76 507	9,030471	1	11,06	0,00	201 307,77	833 004,42	0,657%
CA066201073	ATHEA OIL SHE	CAD	130 000	1,83	1,414613	2,05	0,00	8 902,30	130 300,69	0,149%
US0672241076	BAKER HUGHES INC	USD	45 100	61,070071	1,04066	64,72	0,00	222 747,26	2782 600,76	2,141%
IT0000064482	BCA POPOLARE DI MILANO	EUR	1 811 200	0,3643	1	0,3609	0,00	-6 103,25	603 600,13	0,003%
FR0000120003	BOUYGUES	EUR	54 138	34,572693	1	34,1	0,00	-25 680,01	1848 100,00	1,421%
US1116213067	BROCADE COMM SYSTEMS INC	USD	128 931	5,280716	1,04066	12,01	0,00	953 967,64	1537 806,95	1,585%
IT0001069427	BULZ UNICEMAR RESPOND CV	EUR	74 500	7,654918	1	11,6	0,00	203 916,30	854 200,00	0,665%
FR0000126015	CASINO GONCOURT-PERRACH	EUR	14 812	52,190225	1	45,015	0,00	-103 817,62	671 203,69	0,517%
US1264691059	CST BRANDS SHE WHEN ISSUED	USD	33 600	47,253015	1,04066	46,23	0,00	134 867,17	1544 904,90	1,108%
IT0000076406	DANIELI & C. RESPOND CV	EUR	36 000	17,2744	1	15,02	0,00	-81 103,40	540 720,00	0,469%
US3490091048	DEFONED INC	USD	12 792	19,999157	1,04066	17,09	0,00	-19 635,30	214 010,97	0,105%
DE0001810055	DEUTSCHE BOERSE AG NAM	EUR	7 888	73,690622	1	76,04	0,00	18 484,01	519 282,72	0,406%
NL0012035018	EXORT HOLDING N.V.	EUR	40 364	24,338176	1	40,71	0,00	803 277,47	2009 603,44	1,546%
SE0000105159	HALDIX AB	SEK	223 364	114,703693	9,564365	116,5	0,00	40 217,68	2763 652,32	2,105%
US0616891018	HALL BURTCH CO	USD	14 800	52,090599	1,04066	54,04	0,00	50 585,64	767 103,77	0,809%
DE0000604008	HEINZEL AG & CO. KGMA	EUR	17 307	66,700616	1	96,09	0,00	877 730,74	1714 900,63	1,325%
IT0000010261	HORIZON PHARMA SHS	USD	121 500	18,710132	1,04066	16,2	0,00	-180 693,17	1877 343,63	1,440%
US4672300033	INVENIENCE INC SHS	USD	63 865	12,70015	1,04066	12,81	0,00	-490,43	607 810,81	0,006%
NL0000000082	KONINKLIJKE KPN EUR 00.4	EUR	133 020	2,907003	1	28,25	0,00	-11 016,51	377 210,43	0,280%
US0616891018	MORRIS TO CO	USD	30 800	103,209441	1,04066	103,1	0,00	102 843,90	3009 044,76	2,305%
NL0011031208	MYLAN N.V.	USD	20 000	70,038732	1,04066	37,30	0,00	-832 330,45	987 797,30	0,769%
US0762301048	OFFICE DEPOT INC	USD	270 511	5,114053	1,04066	4,62	0,00	-83 077,82	1191 438,04	0,917%
CA0672241079	SUNOR ENERGY	CAD	19 600	34,90219	1,414613	44,29	0,00	147 107,15	613 654,09	0,472%
CH0010317469	SYNCRANT AG NAM	CHF	3 624	430,738717	1,073708	408,9	0,00	-57 258,67	1373 312,66	1,075%
DE0000228059	TIC	DEK	169 701	38,476568	7,432209	36,85	0,00	-57 852,34	818 440,63	0,600%
FR0000131708	TECHIP	EUR	40 303	40,034415	1	47,88	0,00	789 049,19	2770 047,04	2,132%
US0721901040	T-MOBILE US INC	USD	19 200	36,400638	1,04066	55,05	0,00	485 456,81	1067 523,96	0,621%
IT0004701412	UNICREDIT AZ	EUR	203 400	2,476523	1	2,736	0,00	74 031,28	780 908,12	0,001%
US0013051042	VALSPAR CORP	USD	29 414	105,967064	1,04066	103,73	0,00	96 847,91	2009 451,38	2,233%
US0602441037	WHITEHARVE FOODS SHS	USD	63 136	65,022664	1,04066	65,65	0,00	114 674,67	2813 431,81	2,165%
US0843221061	YAHOO INC	USD	96 984	36,3638915	1,04066	38,64	0,00	215 012,31	2009 110,31	1,615%
	ACTIONS (100)						0,00	3 704 703,23	43 066 480,04	33,140%
US0448181068	SHIRE PLC /ADR	USD	4 025	173,027979	1,04066	168,71	0,00	29 303,50	656 039,62	0,505%
	ADR (AMERICAN DEPOSITARY RECEIPT) (100)						0,00	29 303,50	656 039,62	0,505%
US0448181068	ASTRAZENECA (SPONSOR ADR ***	USD	21 200	28,7952	1,04066	27,36	0,00	11 345,86	555 994,38	0,409%
	SAIR (SPONSORED AMERICAN DEP RECEIPT) (111)						0,00	11 345,86	555 994,38	0,409%
	ACTIONS (100)						0,00	3 631 303,89	44 275 814,25	34,610%
FR0013113222	CANDRIAM MONET -L	EUR	73	10,061275	1	10,0614	0,00	3 632,47	7348 263,22	0,605%
	OPCION Franque Avocacion generale (104)						0,00	3 632,47	7348 263,22	0,605%



ES00000003780_FR0000054470	UNISOF ENTERTAINMENT	EUR	10 634	31 885	1	338.15	-64.35	25 888.70	25 835.35	0.03%
ES00000003790_FR0000054470	UNISOF ENTERTAINMENT	EUR	13 097	31 885	1	339.15	-60.05	26 828.35	26 761.70	0.02%
ES00000003804_FR0000054470	UNISOF ENTERTAINMENT	EUR	19 900	31 885	1	339.15	-10.176	40 959.00	40 857.24	0.01%
ES00000003882_FR0000054470	UNISOF ENTERTAINMENT	EUR	6 082	32 295	1	339.15	-4.32	3 142.16	3 135.78	0.00%
	Positions Long - Total FR0000054470						-239.14	96 823.21	96 590.07	0.01%
ES00000003821_FR0011476828	GROUPE FINAC SHS	EUR	34 538	68.2	1	63.53	-376.70	-161 305.98	-161 762.56	-0.13%
ES00000003821_FR0011476828	GROUPE FINAC SHS	EUR	1 834	65	1	63.53	-47.6	-2 842.98	-2 847.74	-0.01%
	Positions Long - Total FR0011476828						-381.146	-164 228.94	-164 610.30	-0.17%
ES00000003870_GS000007641	LAUNCH GROUP PLC	GBP	284 000	2 677	0.857881	2.6470	-14.000	23 339.43	23 194.43	0.01%
ES00000003870_GS000007641	LAUNCH GROUP PLC	GBP	30 771	2 676	0.857881	2.6470	-12.40	2 722.49	2 710.09	0.00%
	Positions Long - Total GS000007641						-157.40	26 061.92	25 904.62	0.00%
ES00000003871_GS000009K472	J. SANESEURY PLC	GBP	433 268	2 267	0.857881	2.5	-70.637	106 831.99	106 126.42	0.00%
ES00000003871_GS000009K472	J. SANESEURY PLC	GBP	38 142	2 461	0.857881	2.5	-16.40	644.77	623.37	0.01%
	Positions Long - Total GS000009K472						-72.257	107 476.76	106 853.79	0.00%
ES00000003780_GS000005N034	USE GROUP	GBP	19 103	268.4	0.857881	28.05	-292.12	38 193.18	37 896.06	0.00%
ES00000003872_GS000005N034	USE GROUP	GBP	1 824	281.2	0.857881	28.05	-70.2	914.27	907.25	0.01%
	Positions Long - Total GS000005N034						-299.14	39 102.45	38 803.31	0.00%
ES00000003581_T0010487176	TELECOM ITALIA SPARIPACV	EUR	327 500	0.263	1	0.688	0.46	34 723.48	34 723.94	0.01%
	Positions Long - Total T0010487176						0.46	34 723.48	34 723.94	0.01%
ES00000003813_T0010429723	CAIRO COMMUNICATION SPA	EUR	423 411	3.65	1	3.77	-240.10	139 331.02	139 091.42	0.17%
ES00000003844_T0010429723	CAIRO COMMUNICATION SPA	EUR	38 751	3.784	1	3.77	-5.65	-542.01	-548.08	-0.00%
	Positions Long - Total T0010429723						-245.65	138 789.01	138 543.36	0.10%
ES00000003780_JE000000K1657	SHREE PLC	GBP	16 900	45.545	0.857881	443.35	-455.37	15 636.79	15 081.42	0.01%
	Positions Long - Total JE000000K1657						-455.37	15 636.79	15 081.42	0.01%
ES00000003823_SE0000105199	HALDEX AB	SEK	85 582	116	9.564365	116.5	13.04	4 887.04	5 190.03	0.04%
ES00000003860_SE0000105199	HALDEX AB	SEK	5 145	116.5	9.564365	116.5	4.00	0.00	4.00	0.00%
	Positions Long - Total SE0000105199						187.04	4 997.04	5 194.03	0.04%
ES00000003870_US001650C1045	AMC ENTERTAINMENT HOLDINGS INC	USD	8 347	32.0781	10.4265	34.2	-25.77	16 854.08	16 809.21	0.01%
	Positions Long - Total US001650C1045						-25.77	16 854.08	16 809.21	0.01%
ES00000003826_US2400051048	DEPOMED INC	USD	20 222	18.65	10.4265	17.59	-307.43	-18 516.34	-18 223.77	-0.14%
ES00000003836_US2400051048	DEPOMED INC	USD	31 790	18.65	10.4265	17.59	-483.03	-28 084.24	-28 577.27	-0.02%
ES00000003836_US2400051048	DEPOMED INC	USD	2 190	17.94	10.4265	17.09	-8.61	-720.72	-729.33	-0.01%
	Positions Long - Total US2400051048						-799.07	-48 331.30	-49 130.37	-0.03%
ES00000003840_US413081033	HUMAN MTL INDUSTRIES INC	USD	11 040	109.44	10.4265	111.08	-480.75	17 030.19	16 090.44	0.01%
ES00000003854_US413081033	HUMAN MTL INDUSTRIES INC	USD	880	111	10.4265	111.08	-21.70	50.34	28.64	0.00%
	Positions Long - Total US413081033						-1 011.45	17 100.53	16 039.03	0.01%
ES00000003837_US571902022	MARICOTT MTL INC. A	USD	34 804	79.82	10.4265	83.32	-2 062.44	116 128.46	114 067.02	0.00%
	Positions Long - Total US571902022						-2 062.44	116 128.46	114 067.02	0.00%
ES00000003811_US790491035	ST JUDE MEDICAL INC	USD	16 900	78.78	10.4265	79.83	-993.08	16 907.00	16 033.92	0.01%
ES00000003811_US790491035	ST JUDE MEDICAL INC	USD	8 490	78.78	10.4265	79.83	-486.53	8 498.00	8 011.97	0.00%
ES00000003878_US790491035	ST JUDE MEDICAL INC	USD	2 340	79.42	10.4265	79.83	-3.05	914.63	876.58	0.01%
	Positions Long - Total US790491035						-1 527.66	26 410.13	24 882.47	0.01%
ES00000003839_US901941026	TWITTER INC	USD	16 255	18.03	10.4265	16.39	-240.02	-29 414.18	-29 654.20	-0.00%

ES200.00003.052_USD0.194.1026	TWITTER INC	USD	1,027	1752	10.4385	16.38	-40.0	-1,687.80	-1,932.06	-0.07%
ES200.00003.334_CH00722.0511	Poskins Short - ToM US00194.1026						-34.10	-26,912.16	-27,196.26	-0.02%
ES200.00003.334_CH00722.0511	THE SWATCH GROUP AG	CHF	-1,236	297.2	1.073708	315.9	-32,76.4	-21,381.36	-21,676.00	-0.07%
ES200.00003.411_CH00722.0511	THE SWATCH GROUP AG	CHF	-261	297.2	1.073708	315.9	-4,731.28	-4,428.31	-4,428.31	-0.00%
ES200.00003.300_CH00722.0511	THE SWATCH GROUP AG	CHF	-1,623	297.2	1.073708	315.9	-40,705	-26,923.76	-26,923.81	-0.02%
ES200.00003.341_DE0000048.432	Poskins Short - ToM CH00722.0511						-30.172	-52,346.40	-53,048.12	-0.04%
ES200.00003.341_DE0000048.432	HENKEL /VORZUG	EUR	-8,776	106.8	1	113.05	-59,815	-59,238.00	-59,827.15	-0.09%
ES200.00003.413_DE0000048.432	HENKEL /VORZUG	EUR	-1,581	106.8	1	113.05	-10,577	-10,738.26	-10,945.02	-0.03%
ES200.00003.038_DE0000048.432	HENKEL /VORZUG	EUR	-4,000	106.8	1	113.05	-30,031	-31,000.00	-31,302.81	-0.03%
ES200.00003.674_FR00001254.06	Poskins Short - ToM DE0000048.432						-1,000.73	-101,027.25	-102,027.98	-0.07%
ES200.00003.080_FR00001254.06	VINCI	EUR	-8,159	60.57	1	64.39	-31,967	-31,167.38	-31,487.05	-0.02%
ES200.00003.775_FR00001302.13	VINCI	EUR	-216	64.22	1	64.39	-217	-36.72	-36.89	-0.00%
ES200.00003.775_FR00001302.13	Poskins Short - ToM FR00001254.06						-32.184	-31,204.10	-31,526.94	-0.02%
ES200.00003.777_FR00001302.13	LAGARDERE SCA NOM	EUR	-12,057	23	1	26.31	-17,53.0	-38,903.67	-40,038.05	-0.03%
ES200.00003.777_FR00001302.13	LAGARDERE SCA NOM	EUR	-14,328	23	1	26.31	-21,317	-47,425.68	-47,638.85	-0.07%
ES200.00003.877_FR00001302.13	LAGARDERE SCA NOM	EUR	-691	26.2	1	26.31	-76.01	-78.84	-78.84	-0.00%
ES200.00003.887_FR00001333.08	Poskins Short - ToM FR00001302.13						-39.038	-87,410.36	-87,802.74	-0.08%
ES200.00003.887_FR00001333.08	ORANGE	EUR	-44,235	136.3	1	143.75	-39,001	-32,955.03	-33,345.09	-0.03%
ES200.00003.776_FR00001333.08	ORANGE	EUR	-22,118	136.3	1	143.75	-19,501	-18,477.91	-18,672.92	-0.01%
ES200.00003.878_FR00001333.08	ORANGE	EUR	-5,296	14.18	1	143.75	-1.06	-472.36	-484.02	-0.01%
ES200.00003.364_IT0000076.002	Poskins Short - ToM FR00001333.08						-58.668	-50,462.35	-51,002.03	-0.03%
ES200.00003.364_IT0000076.002	DANIELI-COFF. MECO SPA	EUR	-12,000	172.8	1	19.25	-12,073	-23,640.00	-23,760.73	-0.05%
ES200.00003.410_IT0000076.002	DANIELI-COFF. MECO SPA	EUR	-12,000	172.8	1	19.25	-25.06	-23,640.00	-23,891.06	-0.05%
ES200.00003.302_IT00001347.308	Poskins Short - ToM IT0000076.002						-37.684	-47,280.00	-47,658.84	-0.03%
ES200.00003.302_IT00001347.308	BUZZ UNICEM	EUR	-30,700	199.1	1	22.84	-25,000	-40,651.00	-40,901.00	-0.04%
ES200.00003.402_IT00001347.308	BUZZ UNICEM	EUR	-24,000	199.1	1	22.84	-23,825	-70,330.00	-70,603.85	-0.05%
ES200.00003.097_IT00003467.160	Poskins Short - ToM IT00001347.308						-83.885	-130,871.00	-131,910.85	-0.10%
ES200.00003.332_NL00105.4661	TELECOM ITALIA SPA	EUR	-303,625	87.1	1	0.8415	-9.02	-26,776.69	-26,870.21	-0.02%
ES200.00003.332_NL00105.4661	Poskins Short - ToM IT00003467.160						-9.02	-26,776.69	-26,870.21	-0.02%
ES200.00003.303_NL00105.4661	CHN INDUSTRIAL REG SHS	EUR	-18,662	80.3	1	8.3	-9.778	-5,032.74	-5,136.02	-0.04%
ES200.00003.303_NL00105.4661	CHN INDUSTRIAL REG SHS	EUR	-4,500	80.3	1	8.3	-2.152	-1,215.00	-1,236.92	-0.01%
ES200.00003.402_NL00105.4661	CHN INDUSTRIAL REG SHS	EUR	-2,858	80.3	1	8.3	-1.362	-771.66	-785.68	-0.01%
ES200.00003.422_NL00105.4661	CHN INDUSTRIAL REG SHS	EUR	-3,238	80.3	1	8.3	-1.570	-874.53	-880.31	-0.01%
ES200.00003.434_NL00105.4661	CHN INDUSTRIAL REG SHS	EUR	-3,238	80.3	1	8.3	-1.570	-874.53	-880.31	-0.01%
ES200.00003.300_NL00105.4661	CHN INDUSTRIAL REG SHS	EUR	-2,267	8.314998	1	8.3	-2.76	-34.00	-31.24	0.00%
ES200.00003.773_NL00102.7643	Poskins Short - ToM NL00105.4661						-16.794	-8,740.46	-8,908.40	-0.02%
ES200.00003.773_NL00102.7643	FAT CHRYSLER AUTOMOBILES N.V.	EUR	-31,111	7.205	1	8.635	-14.191	-40,444.30	-40,586.21	-0.03%
ES200.00003.962_NL00102.7643	FAT CHRYSLER AUTOMOBILES N.V.	EUR	-2,155	8.72	1	8.635	-2.81	-163.17	-160.36	0.00%
ES200.00003.812_US0020241.000	Poskins Short - ToM NL00102.7643						-14.472	-40,261.13	-40,402.85	-0.03%
ES200.00003.812_US0020241.000	ABBOTT LABORATORIES INC	USD	-14,716	37.6	10.4385	38.31	-4,254	-8,900.70	-8,910.24	-0.00%
ES200.00003.877_US0020241.000	ABBOTT LABORATORIES INC	USD	-7,303	37.6	10.4385	38.31	-2.128	-4,980.39	-4,989.11	-0.04%
ES200.00003.877_US0020241.000	ABBOTT LABORATORIES INC	USD	-2,038	38.19	10.4385	38.31	-5.01	-232.00	-230.99	-0.00%
ES200.00003.682_US01.603A1027	Poskins Short - ToM US0020241.000						6.823	-15,173.17	-15,104.34	-0.02%
ES200.00003.682_US01.603A1027	ALIBABA GROUP HOLDING LTD ADR	USD	-4,476	89.66	10.4385	87.33	8.002	11,278.21	11,364.23	0.00%

ES250000003679_US01008N1027	AUBREX GROUP HOLDINGS LTD ADR	USD	-7 803	8 816	10 4385	87.33	146.30	19 192.13	19 320.43	0.00%
ES250000003680_US01008N1027	AUBREX GROUP HOLDINGS LTD ADR	USD	-1 387	8 814	10 4386	87.33	9.01	3 247.12	3 256.13	0.00%
	Positions Short - Total USD 1008N1027						24 133	33 707.46	33 948.79	0.00%
ES250000003706_US30249U1016	FMC TECHNOLOGIES INC	USD	-39 946	34.7	10 4395	86.65	90.44	-27 606.79	-27 416.35	-0.02%
ES250000003844_US30249U1016	FMC TECHNOLOGIES INC	USD	-3 392	34.7	10 4395	86.65	9.09	-2 748.65	-2 738.66	-0.00%
ES250000003875_US30249U1016	FMC TECHNOLOGIES INC	USD	-1 232	34.63	10 4395	86.65	2.79	-1 021.62	-1 019.03	-0.00%
	Positions Short - Total USD 249U1016						102.32	-31 277.26	-31 174.84	-0.00%
ES250000003948_US4643751565	ISHARES MSCI BOT - JICETTF	USD	-587	28 649	10 4395	267.11	-47.22	1 363.00	1 366.53	0.00%
ES250000003987_US4643751565	ISHARES MSCI BOT - JICETTF	USD	-69	27 012	10 4396	267.11	-2.76	290.62	293.36	0.00%
	Positions Short - Total USD 43751565						-49.48	1 614.42	1 444.94	0.00%
ES250000003848_US8136973030	SECTOR SPDR RUSSEUM STAPL SEL	USD	-18 300	5025	10 4395	51.97	18.21	-30 872.15	-29 812.84	-0.02%
ES250000003850_US8136973030	SECTOR SPDR RUSSEUM STAPL SEL	USD	-1 690	5205	10 4395	51.97	6.47	133.13	134.60	0.00%
	Positions Short - Total USD 36973030						194.78	-29 879.02	-29 684.24	-0.02%
ES250000003785_US8250301027	STAPLES INC	USD	-17 287	867	10 4385	8.18	12.77	8 030.01	8 082.70	0.00%
ES250000003876_US8250301027	STAPLES INC	USD	-4 000	814	10 4386	8.18	2.59	2 648.26	2 600.85	0.00%
	Positions Short - Total USD 50301027						10.36	10 638.27	10 643.63	0.00%
	Equity Swaps (P/L)						-12 043.07	-151 127.88	-163 181.05	-0.10%
	Contracts of actual a terme - Actual CHF 120 000 000 Vente EUR 112 161 27 - Maturity 31-DEC-2016		1 095838	1 07 3758		1 0737 49	0.00	-403.28	-403.28	-0.00%
	Contracts of actual a terme - Actual EUR 112 20647 Vente CHF 120 000 00 - Maturity 16-MAR-2017		1 095457	1		1 073 85	0.00	354.04	354.04	0.00%
	Contracts of actual a terme - Actual EUR 1 288 019 02 Vente CHF 1 300 000 00 - Maturity 16-MAR-2017		1 073079	1		1 073 85	0.00	-274.68	-274.68	-0.00%
	Contracts of actual a terme - Actual EUR 1 854 452 67 Vente USD 2 000 000 00 - Maturity 16-MAR-2017		1 048837	1		1 051681	0.00	5 192.48	5 192.48	0.00%
	Contracts of actual a terme - Actual EUR 22 712 32 493 Vente USD 24 287 000 00 - Maturity 16-MAR-2017		1 098331	1		1 051681	0.00	-381 178.54	-381 178.54	-0.28%
	Contracts of actual a terme - Actual EUR 2 667 683 83 Vente SEK 26 000 000 00 - Maturity 16-MAR-2017		9 746075	1		9 802067	0.00	-61 473.70	-61 473.70	-0.06%
	Contracts of actual a terme - Actual EUR 281 77 56 77 Vente CAD 40 000 00 - Maturity 16-MAR-2017		1 419569	1		1 4185 13	0.00	-208.66	-208.66	-0.00%
	Contracts of actual a terme - Actual EUR 606 66 03 9 Vente CAD 85 000 00 - Maturity 16-MAR-2017		1 401101	1		1 4185 13	0.00	7 447.07	7 447.07	0.00%
	Contracts of actual a terme - Actual EUR 819 76 06 0 Vente DKK 6 085 000 00 - Maturity 16-MAR-2017		7 430968	1		7 431 49	0.00	-397.89	-397.89	-0.00%
	Contracts of actual a terme - Actual EUR 38 300 42 Vente SEK 850 000 00 - Maturity 16-MAR-2017		9 572827	1		9 562067	0.00	-92.00	-92.00	-0.00%
	Contracts of actual a terme - Actual SEK 8 000 000 00 Vente EUR 88 796 44 - Maturity 31-DEC-2016		8 5722 4	9 56 4395		8 5648 11	0.00	69.57	69.57	0.00%
	Changes à Terme (P/L)						0.00	-430 966.89	-430 966.89	-0.32%
	Grand Total						-44 88 68	3 252 746.19	113 601 305.44	0.42%





# **CANDRIAM RISK ARBITRAGE**

Fonds Commun de Placement

Management Company:  
CANDRIAM FRANCE

40, rue Washington  
75008 Paris

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## **Auditors' Report on the annual accounts**

Financial year ended 29 December 2016

**CANDRIAM RISK ARBITRAGE**  
Fonds Commun de Placement  
Management Company: CANDRIAM FRANCE

40, rue Washington  
75008 Paris

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**AUDITORS' REPORT ON THE ANNUAL ACCOUNTS**  
Financial year ended 29 December 2016

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In carrying out the mandate entrusted to us by the management company, we present our report on the financial year ended 29 December 2016, relating to:

- the audit of the annual accounts, in euros, of the Fonds Commun de Placement CANDRIAM RISK ARBITRAGE, as appended to this report,
- the basis for our appraisals,
- the specific verifications and information required by law.

The annual accounts have been prepared by the management company. Our role is to express an opinion on these financial statements based on our audit.

## **1. OPINION ON THE ANNUAL ACCOUNTS**

We carried out our audit in accordance with the applicable French standards of professional practice. These standards require checks to be made so as to obtain reasonable assurance that the annual accounts contain no significant errors. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. It also consists of appraising the accounting principles used, the key estimations applied and the presentation of the accounts as a whole. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 UCI at the end of this financial year.

## 2. JUSTIFICATION OF OUR APPRAISALS

Pursuant to the provisions of article L.823-9 of the Code de Commerce relating to justification of our appraisals, we inform you that the appraisals we made applied in the main to the principles and accounting methods applicable to UCIs.

These appraisals formed part of our audit of the annual accounts as a whole, and therefore contributed to our opinion expressed in the first part of this report.

## 3. SPECIFIC VERIFICATIONS AND INFORMATION

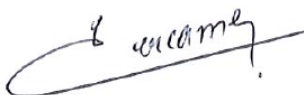
We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no observations to make as to the fairness and consistency with the annual financial statements of the information set out in the management report prepared by the management company and in the documents sent to unitholders on the fund's financial position and annual financial statements.

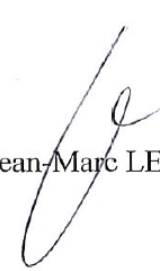
Neuilly-sur-Seine, le 28 avril 2017

Le Commissaire aux Comptes

Deloitte & Associés



Jean-Pierre VERCAMER



Jean-Marc LECAT