

INVESTMENT MANAGEMENT

INVESTMENT OBJECTIVE

The purpose of the Fund is to outperform its benchmark, calculated in euros, by investing the portfolio primarily in Eurozone convertible bonds. The benchmark is a composite of stock and bond market benchmarks.

BENCHMARK

The benchmark is the weighted sum of the Euro Stoxx 50 Index calculated excluding dividends multiplied by a coefficient of 20% and the JPMorgan Credit Index BBB 3-5 year coupons reinvested and multiplied by a coefficient of 80%.

The Stoxx Europe 50 index is a selection of 50 European stocks selected from 660 stocks that make up the Dow Jones Stoxx, a broad index of European equities.

The JPMorgan Credit Index BBB 3-5 years is a euro-denominated index measuring the performance of corporate bonds in the eurozone whose average maturity is between 3 and 5 years.

(For more information on these indices: www.stoxx.com and www.jpmorgan.com)

However, the UCITS does not aim to replicate the performance of this index in any way. It invests on the basis of the criteria that can lead to significant differences with the performance of this index. Investments in companies are weighted differently to the relative weight of each company in the index.

The composite fund's benchmark is daily calculated in Euro.

INVESTMENT STRATEGY

At least 60% of the Fund's net assets are invested in Eurozone convertible bonds. It shall be exposed to one or several interest rate markets in the Eurozone. Further, the portfolio shall be invested, on an ancillary basis, in shares resulting solely from the conversion of a bond issue into equity.

The portfolio shall be built and managed using three sources of added value: economic and monetary analysis, financial analysis (stock- and credit-picking) as well as technical analysis (issuing prospectus, volatility) of products.

- Recommendations from a committee within the management company form the basis of the portfolio's investment strategy.
- The sector and geographic distribution of the portfolio are determined through comparative analysis of the European stock markets and of convertible bond indices.
- The fundamental equity and credit analysis, as well as technical analysis (volatility/convexity, special situations, primary market and issue prospectus) lead to a selection of the underlying instruments and subsequently to the products that constitute the portfolio.
- Exposure to the overall stock and interest rate markets is hedged with futures contracts, stock index options and interest rate index options.

The Fund is managed within an interest rate sensitivity ranging from 0 to 5.

An essential feature of the Fund is equity sensitivity ("delta") of less than 40%. "Delta" is a sensitivity indicator that measures the price variation of a convertible bond in relation to the variation of the price of the underlying stock.

The portfolio is mainly composed of convertible bonds euro-denominated, index-linked bonds and debt securities of which the issuers have their Head Office in Eurozone. As part of cash management, the manager may resort to the use of money market instruments.

Debt securities - including convertible bonds - and money market instruments represent up to 100% of the portfolio, equities between 0% and 10% and UCITS shares or units between 0% and 10%.

1 CHF H shares are systematically hedged against currency risk.

The Fund may operate on financial contracts traded on regulated and organised markets in France and abroad and/or over the counter, with a view to hedging the portfolio against and/or to exposing it to equity or interest rate risks by using instruments such as forward contracts or options.

The derivatives used are mainly futures and options on equity and interest rate indices. The futures are essentially designed to gauge the Fund's overall exposition to the two main sensitivities: equities and interest rates. Options are

essentially designed to protect the portfolio against an overall drop in equity markets and interest rates (purchase of put options on equity and interest rate indices) or to protect the Fund against a risk of underperformance relative to its benchmark when the Fund does not have the same equity and interest rate sensitivities as its benchmark.

Credit derivative operations are governed by framework agreements on French or foreign financial markets (ISDA, FBF). They are conducted within the framework of the Management Company's specific programme of activity, in particular with regard to Eurozone markets.

In this context, the fund manager may take positions in view of hedging the credit risk related to bonds held in portfolio.

The fund manager may also take out positions to cover the I CHF H shares against currency risk, notably through the use of forex forwards or swaps.

RISK PROFILE

The UCIT is classified as Diversified. The investor is principally exposed to the following risks which are not restrictive:

Capital and performance risk:

Investors are warned that the performance of the Fund may not fulfil their objectives and that their capital may not be paid back fully to them since the UCITS carries no guarantee or protection of invested capital.

Interest rate risk:

Due to its composition, the Fund may be subject to interest rate risk. This risk results from the fact that in general, the price of debt instruments and bonds drops as rates rise. Investors in bonds or other fixed income securities may experience losses following fluctuations in levels of interest rates.

Equity risk:

The Fund is invested in or exposed to several equity markets that may experience strong fluctuations. The investor's attention is drawn to the fact that variations in the prices of the securities in portfolio and/or market risk could

bring about a significant drop in the net asset value of the Fund.

Credit risk:

In the event of deterioration of the rating of private issuers (carried out by financial rating agencies), or their default, the value of corporate bonds may fall. The net asset value of the Fund will fall as a consequence.

Counterparty risk:

This risk is related to the use by the Fund of futures and over-the-counter financial instruments, and/or resorting to purchase transactions and temporary sales of securities. These transactions, concluded with one or several eligible counterparties, potentially expose the UCITS to a risk of default of one of these counterparties that may lead to a default that could cause the net asset value to fall.

High Yield Risk:

This type of credit risk is applicable to securities which are speculative in nature and which have a higher probability of default than investment grade securities. They offer higher returns as a result but can significantly reduce the net asset value of the UCITS.

Risk from holding small-caps:

Due to the fund's investment strategy, the SICAV may be exposed to small and mid-caps and the liquidity risk inherent in them because of their specific characteristics. Due to the limited size of the market, pricing fluctuations of these securities in both directions can cause large variations in the net asset value.

Investors are additionally exposed to Currency Risk and Exposure from investment in certain UCITS.

CHANGES OCCURRED DURING THE CURRENT SEMESTER

None

CHANGES OCCURRED DURING THE PREVIOUS SEMESTER

None

CHANGES TO COME

None

Statement of Net Assets

Items of the statement of net assets	Amount in the periodic statement of account
Eligible financial securities mentioned in a) and b) from 2° of the article R. 214-1-1	257 136 836.74
Banking Assets	0.68
Other assets held by the UCITS	40 762 433.54
Total assets held by the UCITS	297 899 270.96
Financial accounts	-880 475.29
Financial instruments and debts	-20 288 374.41
Total liabilities	-21 168 849.70
Net asset value	276 730 421.26

Evolution of Net Assets

	30/03/2012	30/09/2011	30/09/2010	30/09/2009	30/09/2008	28/09/2007
NET ASSETS						
in EUR	276 730 421.26	274 260 450.06	234 179 764.64	129 560 123.90	61 252 456.31	50 867 553.59
Number of securities						
Units C	772 365.9664	813 394.6915	718 466.4815	376 708.4371	133 160.0447	101 252.2924
Units D	144 617.8052	142 104.8025	112 376.7156	104 131.0896	124 729.2354	95 445.0700
Units I CHF H	213 205.8762	168 615.0814	-	-	-	-
Net asset value per unit						
Units C EUR	290.86	279.56	286.11	273.14	240.87	261.93
Units D EUR	239.60	237.47	254.65	256.05	233.93	255.08
Units I CHF H CHF	98.35(1)	94.82(2)	(3)	-	-	-
Distribution per unit						
Units D	-	7.33	11.81	13.23	7.74	0.66
in EUR	-	-	-	-	-	-
Distribution Date	-	08/02/2012	18/02/2011	09/02/2010	06/02/2009	15/04/2008
Tax credit per unit						
Units C EUR	-	-	-	-	-	-
Units D EUR	-	-	-	-	-	-
Units I CHF H EUR	-	-	-	-	-	-
Tax credit per unit (Moral persons)						
Units C EUR	-	-	-	-	-	-
Units D EUR	-	-	-	-	-	-
Units I CHF H EUR	-	-	-	-	-	-
Capitalisation per unit						
Units C EUR	-	8.41	13.02	13.98	7.96	2.42
Units D EUR	-	-	-	-	-	-
Units I CHF H EUR	-	1.32	-	-	-	-

(1) Net asset value (in CHF) is equivalent to EUR 81.71.

(2) Net asset value (in CHF) is equivalent to EUR 77.80.

(3) The I CHF H share class was created on 15 February 2011 with a nominal value of CHF 100 equivalent to EUR 76.47.

Securities Portfolio

Items in the securities portfolio	Percentage	
	Net Assets	Total Assets
Financial instruments mentioned in a) b) et f) from 2° of the Article R.214-1-1 admitted to trading on a French regulated market or on a regulated market from a member state of the European Community or party to the Agreement on the European Economic Area	92.92	86.32
Equities	5.90	5.48
BE SEMICONDUCTOR I	1.00	0.93
ILIAD	2.06	1.91
MTU AERO ENGINES	2.73	2.54
TREVI FIN.IND.	0.11	0.11

Securities Portfolio (cont.)

Items in the securities portfolio	Percentage	
	Net Assets	Total Assets
Bonds	80.35	74.64
ADIDAS 0.25%19 CV	1.02	0.95
ARCELORMIT 7.25%14	2.12	1.97
AUREA OC0712	1.52	1.41
AXA 3.75%00-17 CV SUB.	4.08	3.79
CELESIO 3.75%1014	1.95	1.81
CONWERT 1.5%14 CV	5.02	4.66
ECONOCOM 4%16 CONV	1.79	1.67
EURAZ.6.25%09-EXCH	2.90	2.69
FDROCEFRN01JAN2017	2.73	2.54
IMMOFIN.1.25%17 CV	1.80	1.68
IMMOFINANZ 4.25%18	1.55	1.44
INGENICO2.75%JAN17	1.01	0.93
IVG FIN.1.75%17 CV	1.82	1.69
JACCAR 7.5%12 CV	1.37	1.27
KFW 1.5%30/07/2014 EXC	2.10	1.95
KLOCKNE.1.50%12 CV	6.00	5.57
LOYALTOUCOC22JUN12	0.00	0.00
MAUPR7.125%31JUL14	2.32	2.15
MELIA 5%14 CV	3.55	3.29
MICHELIN OCE0CP17	2.18	2.02
MISARTE3.25%16ECH.	1.38	1.28
NEOOCE3.75%2FEV15	3.90	3.62
NETBOOSTER OC16	0.56	0.52
NEXANSOCE4%1JAN16	0.67	0.62
PESCANOVA 8.75%19	1.57	1.46
PEUGEOTOCE1JAN16	2.32	2.15
PIERRE ET VAC OCE	1.64	1.53
PROXIMANIAOC0712	0.00	0.00
PUBOE3.125%30JUL14	3.10	2.88
QCELLS 1.375%12 CV	0.25	0.23
QUANTELOCEA2013	0.03	0.03
SACYR 6.5%11-16	2.53	2.35
SAFETIC 9%15OCEANE	0.00	0.00
SALZGITT.1.125%16	1.99	1.85
SGL 0.75%16/05/2013 CV	0.38	0.36
SIAS 2 5/8%17 CV	0.34	0.32
SOIOE6.25%9SEPT14	2.89	2.68
TEM 4.25%1115 OECH	1.58	1.47
USGP3%18OCT12	2.15	2.00
VILMORIN OCEA0715	2.78	2.58
WERELDHAV.4.375%14	3.46	3.22

Securities Portfolio (suite)

Items in the securities portfolio	Movements	
	Net Assets	Total Assets
Debt instruments	6.66	6.19
BT 12406 05/04/2012	0.72	0.67
BT CEAIN 20/07/2012	3.59	3.34
BTF 05/04/2012	0.07	0.07
BTF 19/04/2012	2.28	2.11
Financial instruments mentioned in a) b) and f) from 2° of the Article R. 214-1-1 admitted to trading on another regulated market. that is on a functionally operational and regulated market in a state which is neither a member of the European Community nor party to the Agreement on the European Economic Area as far as this market does not appear in a list from the excluded markets established by the Autorité des Marchés Financiers	-	-
Equities	-	-
Bonds	-	-
Debt instruments	-	-
Financial instruments mentioned in a) and b) from 2° of the Article R. 214-1-1. newly issued that is being of the last paragraph from I of the Article R.214-2 of the monetary and financial code	-	-
Equities	-	-
Bonds	-	-
Debt instruments	-	-
Other assets: These are assets mentioned in articles R.214-5. R.214-29 et R. 214-32 of the Monetary and Financial Code	-	-
Warrants	-	-
Liquid notes	-	-
Promissory notes	-	-
Mortgage notes	-	-
Foreign funds that meet the criteria set forth in the AMF GR	-	-
Feeder UCITS	-	-
Fund of funds	-	-
Non-sophisticated. unleveraged UCITS	-	-
Non-sophisticated. leveraged UCITS	-	-
Contractual UCITS	-	-
VCMF	-	-
FCPI [French law technology fund]	-	-
FIP [French law small-cap regional fund]	-	-
FCIMT	-	-
Equities. Bonds. Debt instruments – traded on an non-regulated market	-	-
OPCI [French law real estate fund]	-	-

Statement of the movements that occurred in the composition of the securities portfolio during the reference period

Items in the securities portfolio	Movements (amount)	
	Purchases	Sales
Financial instruments mentioned in a) b) and f) from 2° of the Article R. 214-1-1 admitted to trading on a French regulated market or on a regulated market from a state member of the European Community or party to the Agreement on the European Economic Area	75 037 635.00	55 648 556.25
Equities	11 676 190.93	-
Bonds	15 304 750.21	26 029 261.53
Debt instruments	48 056 693.86	29 619 294.72
Financial instruments mentioned in a) b) and f) from 2° of the Article R. 214-1-1 admitted to trading on another regulated market, that is on a functionally operational and regulated market in a state which is neither a member of the European Community nor party to the Agreement on the European Economic Area as far as this market does not appear in a list from the excluded markets established by the Autorité des Marchés Financiers	-	-
Equities	-	-
Bonds	-	-
Debt instruments	-	-
Financial instruments mentioned in a) and b) from 2° of the Article R. 214-1-1. newly issued that is being of the last paragraph from I of the Article R.214-2 of the monetary and financial code	-	-
Equities	-	-
Bonds	-	-
Debt instruments	-	-
Other assets: These are assets mentioned in articles R.214-5. R.214-29 et R. 214-32 of the Monetary and Financial Code	-	-
Warrants	-	-
Liquid notes	-	-
Promissory notes	-	-
Mortgage notes	-	-
Foreign funds that meet the criteria set forth in the AMF GR	-	-
Feeder UCITS	-	-
Fund of funds	-	-
Non-sophisticated, unleveraged UCITS	-	-
Non-sophisticated, leveraged UCITS	-	-
Contractual UCITS	-	-
VCMF	-	-
FCPI [French law technology fund]	-	-
FIP [French law small-cap regional fund]	-	-
FCIMT	-	-
Equities. Bonds. Debt instruments – traded on an non-regulated market	-	-
OPCI [French law real estate fund]	-	-

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