

French mutual fund

# GROUPAMA AVENIR EURO

➤ Annual report at  
28/02/2018

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## I. CHARACTERISTICS OF THE UCI

- **LEGAL FORM**

French mutual fund (*Fonds commun de placement* – FCP).

- **CLASSIFICATION**

Eurozone equities.

- **DETERMINATION AND ALLOCATION OF NET INCOME**

The UCITS comprises various classes of units:

- I, N, MC, MUH, MSH and O units: capitalisation.
- V units: capitalisation and/or distribution.
- G units: capitalisation and/or distribution. Possibility of paying interim dividends. Possibility of carrying over results in full or in part.
- MD units: distribution. Possibility of paying interim dividends. Possibility of carrying over earnings in full or in part.

- **INVESTMENT IN UCIs**

Up to 10% of net assets.

- **MANAGEMENT OBJECTIVE**

The management objective is to outperform the benchmark, the MSCI EMU Small Cap index (net dividends reinvested).

- **BENCHMARK**

The benchmark is the MSCI EMU Small Cap index (net dividends reinvested).

The MSCI EMU Small Cap Index, published by Morgan Stanley Capital International, is representative of small and mid-cap stocks of companies listed in the Eurozone with sufficient liquidity. It is a sub-index of the MSCI EMU. It is calculated by weighting each stock (approximately 250) by its market capitalisation (taking into account the free float only). It is expressed in euros and dividends are reinvested.

This indicator is only a benchmark, although the management works to track its change to a certain extent. The behavioural profiles of the portfolio and the benchmark are generally comparable.

- **INVESTMENT STRATEGY**

- Description of the strategies used:

Portfolio construction strategy:

To achieve its management objective, the Fund's management draws on a process comprising four main phases:

- Generation of investment ideas;
- Analysis of stocks;
- Valuation of stocks;
- Investment decision.

The investment process is based purely on a stock-picking approach, in other words the identification, analysis and selection of companies deemed to be creating value in the medium to long term through positioning in growing markets. There are no macroeconomic considerations, predefined allocation strategies or target beta levels; the selection relies solely on the companies' inherent qualities in terms of creating value for their shareholders in a medium-term perspective.

It focuses on in-depth financial analysis of companies: validation of the industrial model with management, modelling and medium-term valuation of value-creation potential. Once the stocks have been selected and included in the portfolio, the process is based on monitoring the successful execution of the respective companies' industrial strategies and value creation, with a view to remaining a long-term investor.

The management seeks to implement:

1. An investment process favouring stock picking, based on:
  - The weight given in the process to company visits and analysis,
  - The use of an internal valuation model.

2. Conviction-based management resulting in:
  - A concentrated portfolio built on convictions,
  - The selection of business models seen as offering potential,
  - Consistency in the selection of stocks.

■ **Management style adopted:**

The UCITS adopts an active management style in the search for a performance superior to that of its benchmark. The selection of stocks implies a high degree of volatility because of the characteristics of small and mid-cap stocks (liquidity for instance).

- Assets, excluding embedded derivatives:

■ **Equity markets:**

In the portfolio management process, Eurozone equities represent at least 75% of the Fund's net assets. However, the manager may invest in markets outside the Eurozone in a maximum proportion of 10% of net assets.

Exposure to equity risk is at least 75% of net assets.

The investment universe is comprised of small and mid-cap stocks. The manager has the option of investing in companies with larger capitalisations. The weighting given to small and mid-caps as opposed to large caps is not fixed; small and mid-caps are predominant in a proportion varying in line with market opportunities.

■ **Bond market:**

The UCITS has the option of investing in fixed income products, exclusively through UCIs, in a maximum proportion of 10% of the Fund's net assets.

- **Holdings of shares or units of other UCITS, AIFs or foreign investment funds:** The UCITS may hold up to 10% of its net assets in units or shares of UCIs.

UCIs may be those managed directly or indirectly by Groupama Asset Management.

External UCIs are subject to careful review of the management process, performance, risk and any other qualitative and quantitative criteria allowing an assessment of the quality of management from a short-, medium or long-term perspective.

Listed tracker funds may be used in the maximum proportion of 10% of net assets.

- **Derivatives:**

The use of derivatives is permitted in a maximum proportion of 20% of the UCITS' net assets, and can accordingly have an impact on both its performance and its risk profile.

However, derivatives serve to expose it to or hedge it against a specific risk; as such, they increase the flexibility of the strategy. Derivatives are used in this spirit of optimisation.

Risks in which the manager intends to trade		Types of markets targeted			Types of trades			
Equities	x	Regulated	Organised	Over the counter	Hedging	Exposure	Arbitrage	Other
Interest rates								
Foreign exchange	x							
Credit								
Types of instruments used								
Futures								
- Equities		x	x		x	x		
- Interest rates								
- Foreign currencies		x	x		x	x		
Options								
- Equities		x	x	x	x	x		
- Interest rates								
- Foreign exchange		x	x	x	x	x		
Swaps								
- Equities		x	x	x	x	x		
- Interest rates								
- Inflation								
- Foreign exchange		x	x	x	x	x		
- Total Return Swaps								
Forward currency contracts								
- Forward currency contracts		x	x	x	x	x		
Credit derivatives								
- Single entity credit default swaps and basket default swap(s)								
- Credit Linked Notes (CLNs)								
- Indices								
- Index options								
- Structuring on credit derivative baskets (CDO tranches, iTraxx tranches, FTD, NTD, etc.)								
Other								
- Equity								
Warrants								
- Equity								
- Interest rates								
- Foreign exchange								
- Credit								
EMTNs								
- EMTNs								
Warrants								
- Equity								
- Interest rates								

#### ► Criteria for selecting counterparties

Counterparties on over-the-counter instruments (over-the-counter derivatives and efficient portfolio management techniques) are selected in accordance with a specific procedure in force within the management company; the key selection criteria are financial strength, expertise on the various types of transactions envisaged, general contractual clauses and specific clauses relating to counterparty risk mitigation techniques.

#### • Deposits:

Deposits with a term of less than 12 months made with a credit institution whose registered office is in a Member State of the European Union or the EEA are used to obtain a return on cash in the proportion of 10% of net assets.

- **Cash loans:**

Exceptionally, for the purpose of investing in anticipation of market gains or more temporarily in the context of large redemptions, the manager may borrow cash from the custodian in the maximum proportion of 10% of net assets.

- **Temporary purchases and sales of securities:**

It is not intended that the UCITS will use leverage in a structural manner. Securities borrowing, lending and repurchase agreements are not envisaged either. On occasion, equity exposure may slightly exceed 100% of net assets, giving the cash account a debit balance. This type of unusual configuration may only last a short time, and direct equity exposure may not exceed 110% of net assets.

While the UCITS may use derivatives and borrow cash, the portfolio's total exposure may not exceed 130% of net assets.

Further information may be found in the section on fees and commissions.

**Information relating to the UCITS' financial guarantees:**

The GROUPAMA AVENIR EURO UCITS complies with the investment rules on financial guarantees applicable to UCITS and does not apply specific criteria other than those rules.

In transactions involving OTC derivatives, it may receive securities (such as corporate bonds and/or government securities) or cash as collateral. The financial guarantees received and their diversification must comply with the investment constraints of the Fund/UCITS.

Reuse is confined to cash collateral, which may be reinvested in accordance with the rules applicable to UCITS. All assets received as collateral must be issued by high quality, liquid, low-volatility and diversified issuers that are not an entity of the counterparty or its group. Assets received as collateral must be held in specific accounts by the custodian of the UCITS. Margin calls are managed on a daily basis.

Among other aspects, the haircuts applied to collateral received take into account credit quality, the volatility of the prices of the securities and the result of stress tests performed in accordance with regulatory provisions.

The level of financial guarantees and the haircut policy are set in accordance with the regulations in force.

- **RISK PROFILE Risk of capital loss:**

There is a risk that the capital invested may not be returned in full, as the UCITS does not provide a capital guarantee.

**Equity risk:**

Equity risk is the main risk to which investors are exposed, as the UCITS is invested in equities in a minimum proportion of 75%. The net asset value is subject to fluctuations comparable with those of its preferred investment universe, listed Eurozone equities.

The value of investments and the income derived from them may vary downwards as well as upwards, and investors may not recover the capital they invested in the company initially. The value of a portfolio may be affected by exogenous factors such as political and economic developments or policy changes on the part of certain governments.

**Risk associated with investing in small and mid-caps:**

Trading volumes on listed securities are smaller in these markets, meaning that market movements are more pronounced and faster than for large caps.

Unitholders' attention is drawn to the fact that the Fund may be exposed to small and mid-cap stock markets, which may, by their inherent nature, experience significant variations, upwards or downwards. As such, the Fund's net asset value may decrease.

**Use of derivative financial instruments:**

The use of derivatives may increase (by an increase in exposure) or reduce (by a reduction in exposure) the volatility of the UCITS.

Its volatility should nevertheless remain relatively close to that of its benchmark, even though it may occasionally differ.

**Liquidity risk:**

A portion of the Fund's assets may be illiquid, resulting in a potentially significant delay between the date on which orders are placed and the date on which they are executed. Within this period, the value of the instruments may fall significantly, which could result in a decline in the value of the Fund.

**Currency risk:**

Currency risk stems from the Fund's exposure through its investments and its trading of forward financial instruments to a currency other than its valuation currency.

Currency risk associated with investments is less than 10% of net assets.

**For MU units (denominated in USD)**

These units are exposed to currency risk, as they are denominated in a currency other than that of the benchmark. As a result, the net asset value of this class of units may decline despite an appreciation of the value of the benchmark due to fluctuations in foreign exchange rates.

**For MUH and MSH units**

For these units denominated in a currency other than the euro, the foreign exchange risk related to change in the euro against the valuation currency is residual due to systematic hedging. Hedging may generate a performance gap between units denominated in different currencies.

The MUH (denominated in USD) and MSH (denominated in CHF) units are systematically hedged against currency risk.

All units have the same investment portfolio; the MUH and MSH units also have currency hedges covering the Swiss franc, the dollar and the euro.

**Credit risk:**

Credit risk stems from the potential downgrading of public or private issuers' credit ratings, which may have a negative impact on the price of the security and as such on the net asset value of the UCITS.

In the event of default or a deterioration in an issuer's creditworthiness not anticipated by the markets, such as the downgrading of its credit rating, the value of the bonds in which the UCITS is invested may fall, resulting in a fall in the net asset value.

**Interest rate risk:**

Unitholders are exposed to interest rate risk because of the UCITS' investment in fixed income UCIs. Interest rate risk is the risk of an increase in interest rates in the bond markets, causing a decline in bond prices and a subsequent decline in the net asset value of the UCITS. Exposure to interest rate risk may not exceed 10% of the Fund's net assets.

**Counterparty risk:**

Counterparty risk is related to the conclusion of futures contracts. It measures the risks incurred by an entity in respect of its commitments towards the counterparty with which the contract was concluded. It is therefore the risk that a counterparty may collapse, causing it to default. In accordance with regulations, this risk may not exceed 10% of net assets.

**Liquidity risk management policy:**

The UCITS' liquidity risk is managed by means of an analysis and monitoring system drawing on internal tools and methodologies implemented within Groupama Asset Management.

It is based on two pillars:

- monitoring of the liquidity profile of the portfolio based on an assessment of the liquidity of the assets with regard to prevailing market conditions,
- monitoring of the Fund's capacity to cope with significant redemption scenarios under prevailing or depressed market conditions.



- **GUARANTEE OR PROTECTION**

None.

- **SUBSCRIBERS CONCERNED AND TYPICAL INVESTOR PROFILE**

I units: reserved for institutional investors. N units:

open to all subscribers.

MU units: reserved for institutional investors excluding UCIs or mandates managed by Groupama Asset Management or its subsidiaries.

MC and MD units: reserved for institutional investors excluding UCIs or mandates managed by Groupama Asset Management or its subsidiaries.

MUH units: reserved for institutional investors excluding UCIs or mandates managed by Groupama Asset Management or its subsidiaries.

MSH units: reserved for institutional investors excluding UCIs or mandates managed by Groupama Asset Management or its subsidiaries.

V units: reserved for institutional investors.

G units: reserved for companies, subsidiaries and regional credit unions belonging to Groupama SA.

O units: reserved for UCIs and mandates managed by Groupama Asset Management or its subsidiaries, and belonging to the Opale range.

R units: reserved for investors subscribing via distributors or intermediaries providing an advisory service within the meaning of the European Union's MIF II regulation, individual portfolio management under mandate and when remunerated exclusively by their clients.

The GROUPAMA AVENIR EURO Fund is aimed at investors wishing to boost their savings through the Eurozone equity markets. Such investors seek to have an aggressive profile through equity investments.

The recommended investment period is above five years.

Proportion of investment in the UCITS: any investment in equities may be subject to significant fluctuations. The amount that may reasonably be invested in the GROUPAMA AVENIR EURO Fund depends on the investor's personal situation. To determine this amount, investors should take into account their personal assets, their needs currently and in five years, and the level of risk they are prepared to accept.

They are also advised to diversify their investments sufficiently so as not to expose themselves solely to the risks of the UCITS.

Diversification of investments: diversifying your portfolio into separate asset classes (money market, fixed income, equities), in specific business sectors and different geographies allows for both better risk allocation and optimised portfolio management, taking change in the markets into account.



## 2. CHANGES TO THE UCI

### **3 July 2017**

- Annual update of standard fees;
- Addition of the statement relating to the Fund's total exposure;
- Amendment of subscriber qualifications for the MC/MD/MSH/MU/MUH and O units.

### **27 December 2017**

- Creation of the R unit;
- Possibility of redemption by amount;
- Addition of a redemption fee on the I, N, MC, MD, MU, MUH, MSH, G and V units;
- Alignment of the prospectus with the requirements of Regulation (EU) 2015/2365 on transparency of securities financing transactions and of reuse (SFTR). We took advantage of this modification to revise the contents of the table listing the instruments used. This revision did not modify the constraints imposed on derivatives.

### **15 February 2018**

- 2017 performance update;
- Amendment of subscriber qualifications for the R unit;
- Cancellation of redemption fees not accruing to the UCITS for the I, N, MC, MD, MU, MUH, MSH, G, V and R units;
- Update of the SRRI (from 6 to 5);
- Other changes (updating of information on the custodian and the address of the Groupama AM website).

### 3. MANAGEMENT REPORT

#### **March 2017**

Continuing its positive momentum, our Fund ended the month of March on a clear gain. Our stock-picking continues to deliver compelling performances in an enduringly favourable environment characterised by outstanding annual earnings. A noteworthy feature was the first contribution of our Italian selection to this month's performance. Compounding their excellent operating performances, these stocks – mirroring the broader Italian market – benefited from a favourable flow effect resulting from the announcement of the creation of the *Piano Individuale di Risparmio* in Italy, similar to the French equity savings plan (PEA), in other words a product allowing the tax exemption of capital gains after five years, with the obligation of investing part of savings on Italian small and mid-cap companies.

Among positive contributions to performance over the month, payment specialist Wirecard (+19.1%) made a substantial gain after the completion of its acquisition of the Citi prepaid card business in the United States and the announcement of the purchase, again from Citi, of a payment services client portfolio covering 11 Asian countries, enabling it to continue its global geographic expansion – a central plank of its growth strategy.

Again in the digital economy, architectural software publisher Nemetschek (+10%) continued a rebound dating back to the previous month after the announcement of prospective growth of

17-19% for the year, including organic growth of 13-15%, once again driven by the success of its 3D design software and further progress in the successful rollout of its offering for the construction industry. Lastly, we note the stellar performances of Italian information technology specialist Reply (+17.8%) and video game publisher Ubisoft (+15.7%), also in the wake of first-rate annual results.

In the field of industrial and supply chain automation, Italian company Datalogic (+21.1%) posted a strong increase over the month on the back of its 2017 results, against the backdrop of the family group's switch to a new organisation by major customer segments under the aegis of its new CEO, Valentina Volta, daughter of founder Romano Volta and the company's majority shareholder.

In the field of medical technology innovation, next-generation radiotherapy equipment specialist Ion Beam (+19.5%) ended the month up sharply after the release of very good annual results and a positive outlook for revenue and margin growth in 2017, with investment in future growth through the hiring of new engineers and the building of a new production site.

Lastly, among the Italian stocks in our portfolio, we note the contributions of packaging machine specialist IMA (+14%), high-end brakes specialist Brembo (+9.4%) and Italian SME factoring specialist Banca IFIS (+21.8%).

#### **April 2017**

In line with the upward momentum in March, our portfolio once again turned in a strong performance in April in a persistently favourable context of excellent quarterly results.

As in the previous month, architectural software publisher Nemetschek (+10%) was one of the biggest contributors to performance, in the wake of impressive quarterly numbers combining strong organic growth of 18.3% and a firmer operating margin. Also in the digital economy, Zooplus, the online distributor of pet products (+24.7%), saw its share price rise sharply on the heels of good quarterly results against a backdrop of M&A in the sector with the acquisition of a peer in the United States on much higher valuation multiples than its own.

In the outsourced services sector, outsourced customer relationship management specialist Teleperformance (+13.9%) recorded a strong gain over the month against the backdrop of record organic growth of 11.7% in the first quarter of 2017 driven by momentum in the Iberico-Latin America area, which grew by 30.6%. In the same field, test specialist Eurofins Scientific (+10.9%) delivered a good performance over the month after reporting a strong start to the year, with organic growth of

7% – faster than in the final quarter of 2016 – driven largely by a particularly dynamic North American market that now accounts for a third of its revenue.

Lastly, organic food manufacturer Wessanen (+9.3%) rebounded sharply following its consolidation at the beginning of the year in the wake of an impressive first-quarter 2017 combining firm organic growth among its own brands and an increase in its operating margin driven by persistently strong growth in demand for its organic and vegan products in Europe.

#### **May 2017**

The previous month's bullish momentum continued in May, with another strong performance of the portfolio on consistently favourable newsflow for our companies.

As in the previous month, architectural software publisher Nemetschek (+10.5%) was one of the biggest contributors to the performance, reflecting stellar quarterly results combining strong organic growth and a firmer operating margin. Also in the digital economy, medical software developer Compugroup (+12.7%) progressed well ahead of the imminent rollout of the new eHealth card in Germany, of which the company is a leading contractor.

Lastly, video game publisher Ubisoft (+13.9%) posted strong gains over the month after reporting quarterly results reflecting the success of its industrial strategy. With the rollout of digital sales continuing at an accelerated pace and already accounting for 50% of its revenue, the company has focused its investments on a smaller number of games, with shelf lives considerably lengthened by the regular sale of additional new content, offering recurring revenue and firmer margins.

Mobile telephony operator Drillisch (+18%) did well over the month after the announcement of a merger with operator I&I belonging to United Internet in exchange for a reserved capital increase making United Internet the new entity's largest shareholder.

In medical technology innovation, we again noted a positive contribution from ophthalmic surgery equipment and product manufacturer Carl Zeiss Meditec (+11.4%), driven by excellent quarterly results reflecting the success of its next-generation Relex Smile refractive surgery laser and its intraocular lenses for cataract treatment. In the same sector, biotechnology production equipment manufacturer Sartorius Stedim (+13.8%) ended its consolidation over recent months with a rebound.

### **June 2017**

After the pronounced bull run of the previous three months, June was a month of consolidation for the broader small and mid-cap market and for our portfolio. Although in decline, the performance concluded a first half marked by strong gains for our stock-picking, in a favourable environment in terms of operating momentum.

Despite the downward trend, several stocks managed to end the month up. Among positive contributions was the gain made during the month by test specialist Eurofins Scientific (+4.7%), once again driven by outstanding operating results and the announcement of a new acquisition in niche medical diagnostics; several stocks operating in the field of niche financial services, such as Italian factoring specialist Banca Ifis (+5.4%) and online bank Fincobank (+3%), also did well.

By contrast, several stocks in fields including the digital economy, automotive innovation and industrial automation, which were among the biggest contributions to the performance of our selection in the early part of the year, ended the month down.

German stocks were among the main targets of this consolidation, along with several stocks in our Italian selection, which earlier in the year had benefited from the positive impact of the introduction of the country's new equity savings plan (PIR).

Among negative contributors was architectural software publisher Nemetschek (-5.5%), ending the steep gains notched up in May and April on the back of excellent quarterly results reflecting strong organic growth and a higher operating margin. Again in the digital economy, Italian information technology specialist Reply (-8.1%) and online distributor of pet products Zooplus (-10.2%) both ended the month down.

In automotive innovation, all stocks posted declines over the month, including high-end brakes specialist Brembo (-9.6%), Belgian programmable sensors specialist Melexis (-10.5%) and hydraulic cylinder manufacturer Stabilus (-5.8%).

### **July 2017**

After the consolidation in June, concluding a first half marked by strong growth for our stock-picking, July ended on a slight rebound for our portfolio.

Positive contributions to performance over the month included online payment specialist Wirecard (+16.1%), which made significant gains on the upward revision of its full-year outlook in view of its excellent performance, confirmed by the publication of preliminary second-quarter results pointing to further rapid growth. This performance was also achieved in a context of buoyant M&A activity for the sector, which saw two of the company's competitors confirm that they had been approached for prospective takeovers, showing the appeal of a payment sector enjoying resolutely strong growth. Also driven by momentum in the digital economy, we note the outstanding performance of Italian information technology specialist Reply (+17.8%) and video game publisher Ubisoft (+15.7%), there too in the wake of excellent quarterly results.

In the field of supply chain automation, we also note the good performance of forklift and intra-logistics systems engineering specialist Kion (+9.6%) after the release of robust quarterly results showing a sustainably strong trend in demand for automation solutions, especially within warehouses, buoyed by unflagging growth in e-commerce.

Lastly, in niche financial services, IT leasing specialist Grenke (+12.6%) posted impressive gains after reporting strong growth in volumes of new contracts, driven in large part by Italy, demonstrating the success of its European expansion strategy and allowing it to lift its full-year outlook once again.

Among negative contributions, the medical innovation sector saw the decline of biotechnology production equipment manufacturer Sartorius Stedim (-11.3%), which is in the midst of the anticipated return to normal of its growth after two exceptional years, as well as the steep decline of proton therapy equipment specialist Ion Beam (-38%) after it issued a profit warning sparked by doubts about its machine delivery schedule. While the group has seen an influx of orders for its compact next-generation machines, the process allowing them to be filled was badly planned, and management clearly underestimated the time needed to build the dedicated infrastructure housing the machines on its customers' premises. While management has confirmed its 2020 margin targets, it will need to demonstrate in the coming weeks that it is capable of delivering new mid-term operating targets and improving the visibility on the path to value creation for the company's investors.

### **August 2017**

After July, August was another flat month concluding a slight consolidation over the summer period in the wake of the strong performance of our selection in the early part of the year, ultimately with fairly muted volatility.

Positive contributions to performance were made by online payment specialist Wirecard (+10.7%), which again ended the month up sharply on the heels of the confirmation in its strong quarterly earnings growth of the excellent trend in demand for its payment services, which enabled it to raise its full-year targets the previous month. Also driven by the digital economy, Italian information technology specialist Reply (+7.8%) and video game publisher Ubisoft (+4.8%) continued to post gains following the release of excellent quarterly results.

Benefiting from strong momentum in demand for the modernisation and automation of supply chains, driven by the exponential development of e-commerce, forklift and intra-logistics systems engineering specialist Jungheinrich (+6.1%) and Kion (+4.5%) both again turned in good performances. In the same field, Datalogic, a specialist in optical control systems (+6.4%), logged significant gains after the release of good quarterly results showing faster growth in demand and an improvement in margins.

Negative contributions included, in the field of medical innovation, a further decline by proton therapy equipment specialist Ion Beam (-22%) after the review of its medium-term operating targets prompted by the doubts surrounding the delivery schedule of its machines that led the group to issue a profit warning the previous month. The company's experience reminds us that the shift of an industrial innovation into series production is a complicated process and can come up against many hurdles – even for a technological leader in a growing market. We also saw declines by ophthalmic surgery equipment and product manufacturer Carl Zeiss Meditec (-10.3%) and online distributor of pet products Zooplus (-10.2%).

### **September 2017**

After the slight consolidation of our performance during the summer, following a strong start to the year, our Fund resumed its march forward in September, bringing it to a new annual high.

Positive contributions included gains by test specialist Eurofins Scientific (+11.4%), once again driven by excellent operating momentum and the announcement of a sizeable new acquisition in the United States allowing it to create a new line of business in the area of inspection and certification testing. In outsourced services, outsourced R&D provider Altran Technologies (+8.4%) and outsourced customer relationship management specialist Teleperformance (+9.3%) both delivered sterling performances reflecting their healthy quarterly results.

Several stocks benefiting from strong demand for supply chain optimisation and automation driven by the exponential development of e-commerce once again shone over the month. They included forklift and intra-logistics systems engineering specialist Kion (+9.3%) and conveyor and storage systems manufacturer Interroll (+13.8%).

Lastly, once again driven by the digital economy, we note the positive contributions of architectural software publisher Nemetschek (+7.5%) and online payment specialist Wirecard (+8.1%).

### **October 2017**

Continuing the excellent performance in the previous month, our portfolio posted another positive performance in October.

Among positive contributions, several stocks driven by the digital economy once again distinguished themselves during the month. Building on its gains in September, online payment specialist Wirecard (+10.1%) continued to climb, the group having reported quarterly earnings up sharply and once again lifted its full-year targets. We also note the consistently positive contributions of architectural software publisher Nemetschek (+11%), again on the heels of stellar quarterly results, and video game publisher Ubisoft (+12.6%).

In the field of industrial and supply chain automation, Italian optical control system specialist Datalogic (+14.6%) posted a big gain over the month after the release of quarterly organic revenue growth of more than 10% driven by strong demand in its industry and logistics divisions.

At the other end of the spectrum, forklift and intra-logistics systems engineering specialist Kion declined (-14.8%) after the group revised down its full-year outlook following a less favourable than expected quarter in its intra-logistics division. We also saw the consolidation of Italian information technology specialist Reply (-10.3%), in a context marked by the placement of 7.7% of its capital by majority shareholder Alika, controlled by its founder and co-CEO Mario Rizzante. For the record, the group once again logged a stellar stock market run this year, with a gain of 72.4% in the period to the end of September, driven by a remarkable operating performance.

### **November 2017**

After its sharp rise in the previous two months, our portfolio saw a consolidation of its performance in November, in an environment marked by the return of a degree of volatility in the market.

Among positive contributions, medical software developer Compugroup (+15.1%) progressed strongly as the company embarked on the rollout with German doctors of equipment and services related to the new eHealth card, of which it is a leading contractor.

Wood-processing machine manufacturer Biesse (+13.7%) continued its successful run after the release of quality operating results driven in large part by strong demand for machines automating the production of furniture from Asia, allowing the company to increase its full-year revenue and margin outlook.

Lastly, architectural software publisher Nemetschek (+5.1%) and online payment service provider Wirecard (+5.1%) also performed well on the back of their excellent earnings reported at the end of the previous month, as well as ophthalmic surgery equipment and product manufacturer Carl Zeiss Meditec (+8.1%).

Negative contributions included the decline of several stocks in our Italian selection, led by factoring specialist Banca Ifis (-20.8%), high-end brakes specialist Brembo (-8.4%) and packaging machine specialist IMA (-7.8%), coming off muted results, as well as high-end coffee machine manufacturer De Longhi (-12.3%) after the placement of 5% of its capital by the De Longhi family, all of these declines being part of a broader context unfavourable to Italian mid-caps, which are among the most affected by the prevailing bearish trend.

Lastly, the consolidation also affected several stocks operating in the fields of industrial and supply chain automation, such as outsourced logistics operator Id Logistics Group (-14.4%) and optical control system specialist Datalogic (-7.5%) – yet another Italian stock – and automotive innovation, such as hydraulic cylinder manufacturer Stabilus (-6.9%).

### **December 2017**

December saw a further increase across our portfolio, bringing a strong year for our stock-picking to an end on a positive note.

Positive contributions were once again made by several stocks enjoying strong demand for industrial and supply chain automation, such as optical inspection systems manufacturer Isra Vision (+38%), forklift and intra-logistics systems engineering specialists Kion (+5.3%) and Jungheinrich (+4.7%), conveyor and storage systems manufacturer Interroll (+5.3%) and outsourced logistics operator Id Logistics Group (+7.1%). Also noteworthy were gains logged by Italian factoring specialist Banca Ifis (+10%) and ophthalmic surgery equipment and product manufacturer Carl Zeiss Meditec (+4.2%).

By contrast, we saw the consolidation of stocks ranking among our best contributors over the year, especially in the digital economy, such as architectural software publisher Nemetschek (-6.8%) and Italian information technology specialist Reply (-4.5%), or in the field of niche financial services, such as IT leasing service provider Grenke (-6.6%).

### **January 2018**

After a strong year in 2017, 2018 again got off to a good start for our stock-picking, driven by early full-year earnings showing a continuation of excellent operating performances in a very positive demand environment.

In the field of medical innovation, we note the growth of biotechnology production equipment manufacturer Sartorius Stedim (+15.8%) after the presentation of annual results showing a rebound in revenue growth at the end of the year and a favourable 2018 outlook, with organic growth seen at between 7% and 10%, confirming the temporary nature of the negative items that constrained the group's growth at the start of the previous year and the return to a normalised growth path. The presentation of new medium-term targets at its next Capital Market Day in February will be an opportunity to clarify expectations in terms of growth and margins and the value-creation path for the company. In the field of niche financial services, IT leasing specialist Grenke (+21.2%) posted considerable gains after reporting strong growth in volumes of new contracts, driven notably by Italy, highlighting the success of its European expansion strategy. Also noteworthy was the strong performance of online bank Fincobank over the month (+17.3%).

Lastly, outsourced R&D provider Alten (+9.3%) ended the month on a high note after the publication of fourth-quarter revenue showing a sharp acceleration in organic growth to 10.4% driven by customer sectors, particularly automotive and aerospace, which remain very buoyant.

### **February 2018**

After a sharp rise in January, our stock-picking ended February down in an environment characterised by significant market volatility, with a big drop early in the period followed by a rebound in the second half of the month, as earnings reports of our investee companies showed a continuation of their stellar operating performances in a positive demand environment.

Among positive contributions to performance, architectural software publisher Nemetschek (+6.5%) posted a strong increase over the month following the release of preliminary results showing yet another quarter of robust organic growth (+17.6% in Q4 2017), once again driven by the success of its 3D design software and the continued successful rollout of its construction-oriented offering.

In automotive innovation, programmable sensors specialist Melexis made a positive contribution (+6.7%), the group having again posted excellent full-year results with organic growth of 15% in the final quarter of 2017 and unveiled a 2018 organic growth target of between 16% and 19%, once again driven by strong growth in demand for on-board electronics in vehicles.

In the field of medical technology, we note the continued performance of biotechnology production equipment manufacturer Sartorius Stedim (+4.3%) – and its holding company Sartorius (+15.3%) – after the release of new 2025 targets at its 21 February Capital Market Day, pointing to anticipated annual growth of nearly 12%, driven among other factors by growth in the number of biotechnology molecules and the geographic expansion of production capacity, particularly into Asia.

Among negative contributions, several stocks in our selection of Italian securities closed the month down, including high-end brakes specialist Brembo (-11.5%) and coffee machine manufacturer De'Longhi (-14.5%), Italy in the broadest sense being the worst-performing country over the month in the lead-up to the general elections in early March. We also note the decline of test specialist Eurofins Scientific (-11.4%) and organic food manufacturer Wessanen (-7%).

The **Groupama Avenir Euro** fund had €1,714 million in assets as at 28 February 2018.

Over the period, the net asset value of Groupama Avenir Euro (IC unit) increased from €9,213.76 as at 28/02/2017 to €11,844.88 as at 28/02/2018, representing a gain of 28.56% over the period, vs +20.24% for the benchmark (MSCI EMU).

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

### Main movements in the portfolio during the period

Securities	Movements ('accounting currency')	
	Purchases	Sales
GROUPAMA EONIA IC	365,676,908.18	340,273,060.50
TECHNOGYM	33,384,997.08	0.00
KONIG UND BAUER ALBERT ORD.	25,360,129.71	0.00
LECTRA	21,334,403.18	0.00
DRILLISCH	1,827,850.46	17,606,273.51
GEA GROUP	0.00	13,776,180.41
ZOOPLUS	2,711,416.10	10,843,715.98
ECONOCOM GROUP SA/NV -D-	13,334,548.45	0.00
RIB SOFTWARE	13,087,312.52	0.00
FINECOBANK SPA	11,620,102.70	0.00

### Transparency of securities financing transactions and the reuse of financial instruments – SFTR regulation – in the UCI's accounting currency (EUR)

The UCI did not complete any transactions subject to the SFTR regulation over the period.



• **EFFICIENT PORTFOLIO MANAGEMENT TECHNIQUES AND DERIVATIVE FINANCIAL INSTRUMENTS**

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

- Exposure obtained through efficient management techniques:
  - **Securities lending:**
  - **Securities borrowing:**
  - **Reverse repurchases:**
  - **Repurchases:**
- Exposure to underlyings achieved through derivative financial instruments: **3,980,362.63**
  - **Currency forwards: 3,980,362.63**
  - **Futures:**
  - **Options:**
  - **Swaps:**

**b) Identity of the counterparty/counterparties to efficient portfolio management techniques and derivative financial instruments**

Efficient management techniques	Derivative financial instruments (*)
	CACEIS BANK (FRANCE)

(\*) Excluding listed derivatives.

**c) Financial collateral received by the UCITS in order to reduce counterparty risk**

<b>Types of instruments</b>	<b>Amount in the portfolio's currency</b>
<b>Efficient management techniques</b> . Term deposits . Equities . Bonds . UCITS . Cash (**)  <b>Total</b>	
<b>Derivative financial instruments</b> . Term deposits . Equities . Bonds . UCITS . Cash  <b>Total</b>	

(\*\*) The Cash account also includes the cash and cash equivalents resulting from repurchase transactions.

**d) Operating income and expenses linked to efficient management techniques**

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

(\*\*\*) Income received from lending and reverse repurchase transactions.

## 4. REGULATORY DISCLOSURES

### • **TURNOVER FEES**

In accordance with article 322-41 of the AMF's (French financial market authority) general regulation on the rules of good conduct applicable to third-party portfolio management, we inform you that a fee is charged to the UCI when transactions are carried out involving financial instruments held in the portfolio.

This breaks down as follows:

- Brokerage fees received by the intermediary responsible for order execution.
- No 'turnover fees' are collected by the management company. This fee is not audited by the Statutory Auditor.

### • **FINANCIAL INTERMEDIARIES**

The intermediaries used by the Management Strategy Department are monitored by a Broker Committee, for each major asset class, which meets twice a year. These Committee meetings are attended by the portfolio managers, financial analysts and middle-office staff.

At each Committee meeting, a restricted list of approved intermediaries is updated with a global limit by percentage of assets under management assigned to each of them.

This updating process is based on a vote on a selection of criteria. Each person votes on each criterion according to the weight assigned to it by the Committee. A record of decisions is produced and circulated.

A new intermediary may be used for a specific transaction, on the express authorisation of the Head of Management Strategies, between two Broker Committee meetings. This intermediary may or may not be approved at the next Broker Committee meeting.

A monitoring table is updated and circulated to portfolio managers each month. This table monitors the change in the actual percentage of the business done with an intermediary compared with the target percentage so that the level of business can be adjusted.

If a limit is exceeded, an instruction to return within the limit set by the Committee is issued. This monitoring is used for the level 3 ethical control.

### • **INTERMEDIATION FEES**

A report on the intermediation fees paid by Groupama Asset Management over the previous year is updated every year. It is available on the website [www.groupama-am.fr](http://www.groupama-am.fr)

### • **VOTING POLICY**

The policy on voting at General Meetings may be consulted on the website <http://www.groupama-am.fr> and at GROUPAMA ASSET MANAGEMENT's registered office.

A report on how the management company has exercised its voting rights at General Meetings is produced during the four months following the end of its reporting period. It may be consulted on the website <http://www.groupama-am.fr> and at GROUPAMA ASSET MANAGEMENT's registered office.

### • **FINANCIAL INSTRUMENTS HELD IN THE PORTFOLIO ISSUED BY THE GROUP SERVICE PROVIDER OR ENTITY**

In accordance with the AMF's general regulation, we inform you that the portfolio holds 27,842,931.74 euros of the GROUPAMA group's UCIs.

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

Information regarding ESG criteria is available on the website <http://www.groupama-am.fr> and in the UCI's annual reports as from the accounting period beginning on 31/12/2012.

### • **METHOD FOR CALCULATING THE GLOBAL RISK**

The UCI uses the commitment calculation method to calculate the UCI's global risk relating to financial contracts.

- **PEA**

Pursuant to the provisions of Annex 2 of Article 91 *quater* L of the French General Tax Code, the Fund is permanently invested in the proportion of at least 75% in securities and rights mentioned in a, b and c of paragraph 1 of I of Article L. 221-31 of the French Monetary and Financial Code.

Proportion of investment actually made during the year: 94.10%

- **INFORMATION ABOUT THE INCOME DISTRIBUTED THAT IS ELIGIBLE FOR THE 40% TAX ALLOWANCE**

In accordance with Article 41 *sexdecies* H of the French General Tax Code, income from distributing unit classes is subject to the 40% tax allowance.

- **REMUNERATION**

#### **Information about Groupama AM's Remuneration Policy**

##### **I – Qualitative information about Groupama Asset Management's Remuneration Policy**

###### **I.1. Background information:**

Groupama Asset Management received AIFM approval from the AMF on 10 June 2014 and updated its Remuneration Policy beforehand to bring it into line with the AIFM Directive's requirements. At the start of 2017, Groupama AM also aligned its Remuneration Policy with the UCITS 5 Directive and this policy was approved by the AMF on 7 April 2017.

At 31 December 2017, Groupama Asset Management had EUR 99.8 billion of assets under management, of which 20% AIFs, 22.8% UCITSs and 57.1% mandates. Groupama Asset Management decided to apply the AIFM Directive's remuneration provisions to all of its staff, regardless of the type of fund or management strategy involved, as of 2015, to make them simpler to implement and to avoid introducing differences in the treatment of portfolio managers. The majority of the portfolio managers in fact manage both AIFs and UCITSs. This decision was also due to a wish to allow for the impact of the UCITS V Directive.

Groupama Asset Management has formally documented its list of Identified Staff, namely employees considered to be 'risk takers', in accordance with the AMF's guidelines. This list includes:

- The members of the Management Board
- The heads of Compliance and Internal Control
- The heads of the Management Strategy teams
- Portfolio managers and management assistants
- The Chief Economist
- The head of Financial Engineering
- The head of the trading desk and traders
- The Head of Sales and the sales teams
- The heads of certain support functions
  - Operations
  - Middle Office
  - Legal
  - Marketing
  - IT

For many years, the remuneration structure for Groupama Asset Management's staff has been the same for everyone. It has three levels:

- Fixed salary
- Individual variable remuneration
- Collective variable remuneration (bonuses and profit-sharing)

Every year, Groupama Asset Management compares all of the components of its employees' remuneration against the market to check their competitiveness and the balance of their structure. The company checks particularly that the fixed component of remuneration represents a sufficiently high proportion of the global remuneration.

## 1.2. Composition of staff remuneration

### 1.2.1. Fixed salary:

The fixed component of employees' global remuneration is set on hiring. It takes into account the employee's position and scope of responsibility and the levels of remuneration paid by the market to people in equivalent posts (benchmarking). It is reviewed annually and if the employee changes jobs and may in this case be increased.

### 1.2.2. Individual variable remuneration:

Individual variable remuneration depends on the employee's job role and level of responsibility. It is highly flexible and results from a formally documented annual appraisal conducted during a performance appraisal interview. This appraisal is designed to measure:

- The achieving of quantitative, qualitative and, possibly, managerial objectives set at the start of each year;
- The way in which the employee performs their duties day to day.

The combination of these two measurements is used to determine the employee's overall performance level over the year and to award them a certain amount of variable remuneration accordingly.

#### 1.2.2.1. Performance appraisal

Objectives are set for every employee by their manager according to the company's strategy and how it is applied to the department and division in question. Each objective is given a weighting representing its relative importance compared with the other objectives. They obey certain principles, in keeping with the requirements of the AIFM and UCITS V Directives:

- All managers must have a managerial objective
- An employee cannot have only quantitative objectives
  - The quantitative objectives for salespeople and managers account for 60% to 70% of all the objectives (except in special cases, e.g. certain junior posts have a smaller quantitative share)
  - Portfolio managers' performance objectives have a multi-year aspect (performance over 1 year and 3 years)
  - Salespeople's objectives take into account their ability to retain clients
- The qualitative objectives are able to:
  - Limit the weight of strictly financial performance
  - Incorporate notions such as risk taking, consideration of the joint interests of the client and the company, compliance with processes and team work.
- The objectives of employees in risk, internal control and compliance functions are set independently of those of the business lines whose operations they validate or monitor.

The objectives and overall performance of employees are assessed according to a scale validated by the Groupama Group's Human Resources Department, which oversees the entire process and the Group companies' performance appraisal tools.

#### 1.2.2.2. Calculation and awarding of variable remuneration

The budget for the variable remuneration awarded in N+1 in respect of a year N is validated upstream by the Group. The amount is proposed by Groupama Asset Management's General Management to the Group's General Management according to the company's projected results and particularly its new subscription and management performance. It is aligned with the company's risk, in accordance with the AIFM and UCITS V Directives. It may therefore be reduced in the event of a negative performance affecting Groupama AM's solvency.

The Human Resources Department monitors the consistency and fairness of the variable remuneration amounts proposed by managers for their staff. It particularly checks their consistency with performance appraisals and may, where appropriate, submit changes to the relevant department head for validation.

Groupama Asset Management does not pay guaranteed variable remuneration, except, on an exceptional basis, when certain employees are hired. In this case, the guarantee is strictly limited to one year and the guaranteed variable remuneration is usually paid after a trial period.

#### 1.2.2.3. Payment of variable remuneration

Individual variable remuneration in respect of a year N is usually paid in March in year N+1. However, if the variable remuneration awarded to an employee who is an identified member of staff exceeds an amount validated by Groupama Asset Management's Remuneration Committee, it is split into two parts, in accordance with the AIFM and UCITS V Directives:

- The first tranche is announced and permanently awarded to the employee in question immediately after the performance appraisal period. This tranche accounts for 60% of the variable component of the employee's remuneration; it is paid entirely in cash, usually in March in year N+1;
- The second tranche is announced but its vesting is deferred. This tranche accounts for 40% of the variable component of the employee's remuneration. It is paid in thirds over the financial years N+2, N+3 and N+4 subject to a possible malus. It is indexed to a basket of funds representative of the type of management strategy entrusted to the employee in question, or to Groupama Asset Management's management strategies as a whole, for employees whose positions cannot be directly linked to the management of one or more investment portfolios.

The deferred portion has been increased to 50% as of the variable remuneration awarded in respect of 2017 and paid at the start of 2018.

Groupama Asset Management has set up a malus mechanism, in accordance with the AIFM and UCITS V Directives. This means that, in the event of a negative performance that may affect Groupama Asset Management's solvency, the awarding and payment of the deferred share of the variable remuneration may be reduced as a result. If such a decision was made, it would uniformly affect all employees who were Identified Staff and were eligible, for the financial year in question, for a deferred variable award. Such a decision would be the responsibility of the General Management and should be validated by the Remuneration Committee.

#### 1.2.3. Collective variable remuneration:

Every permanent or temporary employee who worked for the company for at least three months during the financial year in question is entitled to receive collective variable remuneration consisting of a bonus and a profit-share. The total collective variable remuneration paid by Groupama AM is divided between beneficiaries according to the actual gross remuneration received during the reference year. Groupama Asset Management tops up the sums invested in the PEE (employee savings plan) or the PERCO (collective pension savings plan) up to the amounts defined by the agreements relating to these savings plans.

#### 1.3. Governance of remuneration

Groupama Asset Management has had a Remuneration Committee since 2011. The composition of this Committee has changed, in accordance with the AIFM and UCITS V Directives; it is now made up of four members, two of whom are independent, including the Chairperson, who has the casting vote.

This Committee is composed of the following people:

Christian Ferry, Chairman  
Muriel Faure  
Cyril Roux  
Pierrette  
Lévêque

This Committee's aims are to:

- Oversee the implementation and development of the Remuneration Policy
- Produce recommendations on the fixed and variable remuneration of the members of the Management Committee and variable remuneration exceeding 100% of the fixed salaries of the people in question
- Oversee the remuneration of senior managers responsible for the risk management and compliance functions
- Produce recommendations on the remuneration of Groupama Asset Management's senior executive officers
- Assess the mechanisms adopted to guarantee that:
  - ✓ The remuneration system takes into account all the risk and liquidity categories and the levels of assets under management;
  - ✓ The policy is compatible with the economic strategy, objectives, values and interests of the Management Company;
- Assess a number of scenarios to test the remuneration system's response to external and internal future events and perform ex-post checks.

#### 1.4. Identity of the people responsible for awarding remuneration within Groupama Asset Management

Aside from the Remuneration Committee (see above), which oversees the Remuneration Policy's implementation, the people responsible for awarding remuneration are:

- Philippe Setbon, CEO of Groupama Asset Management
- Adeline Buisson, Groupama Asset Management's Head of Human Resources

#### 1.5. Result of the central, internal annual appraisal, which is independent of Groupama Asset Management's Remuneration Policy and its implementation

In 2017, Groupama Asset Management's Internal Audit Department conducted an audit of the Remuneration Policy covering compliance with the principles applicable to the indexing of the variable remuneration of identified staff. It appears from the audit that the indexing is in line with the methodology defined in the Remuneration Policy. Three technical and organisational recommendations were made by the Internal Audit Department and adopted by the Remuneration Committee; none of these recommendations casts doubt on the choice of mechanisms currently used by Groupama Asset Management for the indexing of deferred variable remuneration.

## **2. Quantitative information**

The following information is based on Groupama Asset Management's annual salary declaration (DSN) at 31 December 2017.

Groupama Asset Management's total payroll for 2017 amounted to €24,130,635 for 299 beneficiaries. Out of this amount, the variable remuneration paid in respect of the performance achieved in 2016 stood at €5,551,446.

The 2017 payroll for Identified Staff classed as risk takers (i.e. 86 employees) as defined by the AIFM and UCITS 5 Directives breaks down as follows according to the different populations:

- |   |             |
|---|-------------|
| ○ Payroll of all the Identified Staff:  | €12,479,146 |
| ✓ Of which payroll of portfolio managers ( <u>32 employees</u> )<br>(excluding heads of management strategy teams): | €3,308,817  |
| ✓ Of which payroll of other risk takers:  | €9,170,329  |



- **OTHER INFORMATION**

The UCI's complete prospectus and the most recent annual and interim documents will be sent within a week on the written request of unitholders addressed to:

GROUPAMA ASSET MANAGEMENT

25 rue de la Ville l'Evêque

75008 Paris

e-mail: <http://www.groupama-am.fr>

## 5. STATUTORY AUDITOR'S CERTIFICATION

## GROUPAMA AVENIR EURO

Mutual Fund

Management Company: GROUPAMA ASSET MANAGEMENT

25, rue de la Ville l'Evêque  
75008 Paris

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### STATUTORY AUDITOR'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Period ended 28 February 2018

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To the Unitholders,

#### Opinion

In accordance with the engagement entrusted to us by the management company, we have audited the annual financial statements of the UCI GROUPAMA AVENIR EURO for the period ended 28 February 2018, as appended to this report.

We certify that the annual financial statements give a true and fair view of the annual financial statements with regard to French accounting rules and principles, and accurately reflect the results of the UCI's operations for the period ended and its financial position and assets and liabilities at the end of this period.

#### Basis for opinion

##### *Audit framework*

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence that we collected was sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are described in the "Statutory auditor's responsibilities with regard to the auditing of the annual financial statements" section of this report.

##### *Independence*

We completed our audit engagement in accordance with the rules on independence applicable to us, over the period from 1 March 2017 to the date when our report was issued and, in particular, we did not provide any services that are prohibited by the code of ethics for statutory auditors.

## **Justification of assessments**

In accordance with the provisions of articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we hereby inform you that the most important assessments that we made based on our professional judgement related to the appropriateness of the accounting principles applied, the reasonableness of the material estimates made and the overall presentation of the financial statements in accordance with the chart of accounts for open-ended undertakings for collective investment, particularly with regard to the financial instruments held in the UCI's portfolio.

The assessments thus made were part of the audit of the annual financial statements taken as a whole and the forming of our opinion expressed above. We have not expressed any opinions on elements of these annual financial statements taken in isolation.

## **Verification of the management report and the other documents sent to unitholders**

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

We have no comments to make regarding the fair presentation and consistency with the annual financial statements of the information given in the UCI's management report and in the documents sent to unitholders regarding the UCI's financial position and annual financial statements.

## **Responsibilities of the management and the people in charge of corporate governance with regard to the annual financial statements**

The management company is responsible for producing annual financial statements that present a true and fair view in accordance with French accounting rules and principles and for introducing the internal control system that it considers to be necessary to produce annual financial statements that do not contain material misstatements, whether these are the result of fraud or error.

It is the management company's responsibility, when the annual financial statements are produced, to assess the UCI's ability to continue operating, present the necessary information regarding its ongoing operation in these financial statements, where appropriate, and apply the going concern accounting convention, unless it has been decided to liquidate the UCI or cease its operation. The annual financial statements have been prepared by the management company.

## **The statutory auditor's responsibilities with regard to the auditing of annual financial statements**

It is our responsibility to prepare a report on the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements taken as a whole do not contain material misstatements. Reasonable assurance means a high level of assurance, without, however, guaranteeing that an audit conducted in accordance with the applicable professional standards will systematically identify all material misstatements. Misstatements may be the result of fraud or error and are considered to be material if there is a reasonable chance that users of the financial statements might be influenced by them, taken individually or together, in their economic decisions.

As stipulated in article L. 823-10-1 of the French Commercial Code, our financial statement certification engagement does not consist of guaranteeing your UCI's viability or the quality of its management.

In an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgement throughout the process. It also:

- identifies and assesses the risks of material misstatement in the annual financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for an opinion. The risk of not identifying a material misstatement that is the result of fraud is higher than for a material misstatement resulting from an error, as fraud may imply collusion, falsification, voluntary omissions, false declarations or the avoidance of internal controls;
- familiarises itself with the internal control system relevant to the audit in order to define audit procedures that are appropriate to the circumstances, rather than to express an opinion on the internal control system's effectiveness;
- assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by the management, as well as the information relating to them provided in the annual financial statements;
- assesses the appropriateness of the application by the company's management of the going concern accounting convention and, depending on the evidence collected, the existence or otherwise of material uncertainty linked to events or circumstances that are likely to
- jeopardise the UCI's ability to continue operating. This assessment is based on the evidence gathered before the date of their report, bearing in mind that subsequent circumstances or events could jeopardise the UCI's continued operation as a going concern. If they decide that there is material uncertainty, they draw the attention of readers of their report to the information provided in the annual financial statements regarding this uncertainty or, if this information is not provided or is not relevant, they issue a qualified certification or a refusal to certify;
- assesses the overall presentation of the annual financial statements and whether or not they reflect the underlying operations and events such that they give a true and fair view of them.

Neuilly-sur-Seine, 4 May 2018

The Statutory Auditor  
Deloitte & Associés

Jean-Pierre Vercamer





## 6. ANNUAL FINANCIAL STATEMENTS

### • BALANCE SHEET *in EUR*

#### ASSETS

	28/02/2018	28/02/2017
<b>Net fixed assets</b>		
<b>Deposits</b>		
<b>Financial instruments</b>	<b>1,711,503,728.37</b>	<b>1,097,788,561.90</b>
<b>Equities and equivalent securities</b>	<b>1,682,622,462.00</b>	<b>1,095,274,892.60</b>
Traded on a regulated or equivalent market	1,682,622,462.00	1,095,274,892.60
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		
Negotiable debt securities		
Other debt securities		
Not traded on a regulated or equivalent market		
<b>Undertakings for collective investment</b>	<b>28,881,266.37</b>	<b>2,513,669.30</b>
General-purpose retail UCITs and AIFs and the equivalent in other countries	28,881,266.37	2,513,669.30
Other retail funds and the equivalent in other EU member states		
General-purpose professional funds and the equivalent in other EU member states and listed securitisation undertakings		
Other professional investment funds and the equivalent in other EU member states and unlisted securitisation undertakings		
Other non-European undertakings		
<b>Temporary securities transactions</b>		
Receivables representative of securities received under repurchase agreements		
Receivables representative of loaned securities		
Borrowed securities		
Securities delivered under repurchase agreements		
Other temporary transactions		
<b>Forward financial instruments</b>		
Transactions on a regulated or equivalent market		
Other transactions		
<b>Other financial instruments</b>		
<b>Receivables</b>	<b>7,271,472.37</b>	<b>8,035,439.64</b>
<b>Forward currency transactions</b>	<b>3,980,362.63</b>	<b>2,990,634.84</b>
<b>Other</b>	<b>3,291,109.74</b>	<b>5,044,804.80</b>
<b>Financial accounts</b>	<b>2,146,860.13</b>	<b>2,923,842.20</b>
<b>Liquidities</b>	<b>2,146,860.13</b>	<b>2,923,842.20</b>
<b>Total assets</b>	<b>1,720,922,060.87</b>	<b>1,108,747,843.74</b>

## LIABILITIES

	28/02/2018	28/02/2017
<b>Shareholders' equity</b>		
<b>Share capital</b>	<b>1,697,647,700.25</b>	<b>1,066,166,804.66</b>
<b>Prior undistributed net capital gains and losses (a)</b>		<b>699,038.00</b>
<b>Retained earnings (a)</b>	<b>21.08</b>	<b>0.14</b>
<b>Net capital gains and losses for the period (a, b)</b>	<b>15,137,628.52</b>	<b>35,739,322.18</b>
<b>Net income for the period (a, b)</b>	<b>-4,984,528.56</b>	<b>-1,277,291.41</b>
<b>Total shareholders' equity (= amount representative of the net assets)</b>	<b>1,707,800,821.29</b>	<b>1,101,327,873.57</b>
<b>Financial instruments</b>		
<b>Sales of financial instruments Temporary securities transactions</b>		
Debts representative of securities delivered under repurchase agreements		
Debts representative of borrowed securities		
Other temporary transactions		
<b>Forward financial instruments</b>		
Transactions on a regulated or equivalent market		
Other transactions		
<b>Debts</b>	<b>12,621,251.07</b>	<b>7,278,750.28</b>
<b>Forward currency transactions</b>	<b>3,933,672.86</b>	<b>2,995,361.30</b>
<b>Other</b>	<b>8,687,578.21</b>	<b>4,283,388.98</b>
<b>Financial accounts</b>	<b>499,988.51</b>	<b>141,219.89</b>
<b>Overdrafts</b>	<b>499,988.51</b>	<b>141,219.89</b>
<b>Borrowings</b>		
<b>Total liabilities</b>	<b>1,720,922,060.87</b>	<b>1,108,747,843.74</b>

(a) Including adjustment accounts

(b) Less interim dividends paid during the period

- **OFF-BALANCE SHEET ITEMS** *in EUR*

	28/02/2018	28/02/2017
<b>Hedging transactions</b>		
<b>Commitments on regulated or equivalent markets</b>		
<b>Commitments on over-the-counter markets</b>		
<b>Other commitments</b>		
<b>Other transactions</b>		
<b>Commitments on regulated or equivalent markets</b>		
<b>Commitments on over-the-counter markets</b>		
<b>Other commitments</b>		

• **INCOME STATEMENT in EUR**

	28/02/2018	28/02/2017
<b>Income from financial transactions</b>		
Income from deposits and financial accounts	81.47	
Income from equities and equivalent securities	14,529,072.70	10,364,128.67
Income from bonds and equivalent securities		
Income from debt securities		
Income from temporary purchases and sales of securities		
Income from forward financial instruments		
Other financial income		
<b>Total (1)</b>	<b>14,529,154.17</b>	<b>10,364,128.67</b>
<b>Expenses in respect of financial transactions</b>		
Expenses in respect of temporary purchases and sales of securities		
Expenses in respect of forward financial instruments		
Expenses in respect of financial debts	15,737.81	14,228.88
Other financial expenses		
<b>Total (2)</b>	<b>15,737.81</b>	<b>14,228.88</b>
<b>Net income from financial transactions (1 - 2)</b>	<b>14,513,416.36</b>	<b>10,349,899.79</b>
Other income (3)		
Management fees and depreciation and amortisation allowances (4)	19,408,160.48	11,957,496.96
<b>Net income for the period (L. 214-17-1) (1 - 2 + 3 - 4)</b>	<b>-4,894,744.12</b>	<b>-1,607,597.17</b>
Income accrued for the period (5) Interim dividends	279,010.04	330,305.76
paid for the period (6)	368,794.48	
<b>Net income (1 - 2 + 3 - 4 + 5 - 6)</b>	<b>-4,984,528.56</b>	<b>-1,277,291.41</b>

## ACCOUNTING RULES AND METHODS

The annual financial statements are presented in the form provided for by ANC (French accounting standard authority) Regulation 2014-01 repealing amended CRC (French accounting regulation committee) Regulation 2003-02.

The reference currency for the portfolio's accounting is the Euro. The reporting period is 12 months long.

### Asset valuation rules

#### Valuation methods

##### ► Transferable securities traded on a French or foreign regulated market, including ETFs:

- Securities traded within the Eurozone and Europe:

=> Last price on the valuation day.

Transferable securities whose price was not observed on the valuation day are valued at the last price officially published. Those whose price has been adjusted are valued at their probable market value, under the responsibility of the UCI's manager or the management company.

Foreign securities in foreign currencies are converted into their equivalent value in Euros according to the exchange rate in Paris on the valuation day.

##### ► Securities not traded on a regulated market:

- Unlisted securities are valued under the responsibility of the UCI's manager or the management company at their probable market value. These valuations were provided to the Statutory Auditor during their audits.
- Securities traded on an unregulated market, such as the free market, are valued based on the last price quoted on this market.

##### ► UCI securities and shares:

These are valued at the last known net asset value.

##### ► Negotiable debt securities:

Negotiable debt securities are valued according to the following rules:

- BTANs (fixed-rate treasury notes paying annual interest) and BTFs (fixed-rate treasury bills with discounted interest) are valued based on the previous day's prices published by the Banque de France.
- Other negotiable debt securities (certificates of deposit, treasury notes and bills issued by financial companies or specialised financial institutions) are valued:
  - Based on the price at which market transactions are taking place;
  - In the absence of indisputable market prices, by applying an actuarial method, the reference rate being increased by a margin representative of the issuer's intrinsic characteristics. If there is a significant change in the issuer's position, this margin will stay constant for the duration of the security holding period.

Negotiable debt securities with a residual maturity of less than or equal to three months are valued on a straight-line basis.

► **Over-the-counter transactions:**

- Interest rate swaps are valued according to the same rules as for negotiable debt securities (other than BTANs and BTFs).
- Other transactions are valued at their market value.

► **Future and option transactions:**

- Futures traded on the equity derivative markets are valued at the day's settlement price.
- Options traded on the equity derivative markets are valued at the day's closing price.

► **Temporary purchases and sales of securities:**

- Reverse repurchases

Securities subject to reverse repurchase agreements are recognised at their value set in the contract plus interest.

- Repurchases

The receivable representative of securities delivered under repurchase agreements is valued at market value. The debt representative of securities delivered under repurchase agreements is valued at the contractual value plus interest.

- Securities lending

The receivable representative of securities loaned is valued at the market value of the securities plus the contractual payment.

► **Valuation methods for off-balance sheet commitments:**

- Futures are valued at their nominal value x quantity x settlement price x (currency)
- Options are valued in line with the underlying assets
- Swaps are valued at their nominal value in the contract

► **Method followed for the recognition of income from fixed-income securities:**

Accrued coupon method.

► **Fee recognition method:**

Transactions are recognised excluding fees.

► **Operating and management fees:**

These consist of all the fees directly charged to the UCI, except for transaction fees. Transaction fees include intermediation fees (brokerage, stamp duties, etc.) and turnover fees, where applicable, which may be collected by the depositary and the management company.

The following may be added to the operating and management fees:

- Performance fees. These remunerate the management company if the UCI exceeds its objectives. They are therefore charged to the UCI;
- Turnover fees charged to the UCI;

Refer to the 'Fees' section of the Key Investor Information Document (KIID) for more information about the ongoing fees effectively charged to the UCI.

**I and R unit class**

<b>Fees charged to the UCI</b>	<b>Base</b>	<b>Rate</b>
Management fees including external management fees (statutory auditor, depositary, distribution, lawyers, etc.)	Net assets less units or shares of UCIs	Maximum rate: 1.60% incl. taxes
Maximum indirect fees (management fees)	Net assets	Maximum rate: *
Turnover fee collected by the custodian, CACEIS Bank	Charged on each transaction	From €0 to €63.38 incl. taxes**
Turnover fee collected by the Management Company	Charged on each transaction	By type of instrument incl. taxes: Equities and the equivalent: 0.01% max. Bonds and the equivalent: 0.03% max. Futures and options: €1 max. per lot
Performance fees	Net assets	None

\* Not material, as UCIs account for less than 20% of the portfolio

\*\* Depending on the prevailing VAT rate

**N unit class**

<b>Fees charged to the UCI</b>	<b>Base</b>	<b>Rate</b>
Management fees including external management fees (statutory auditor, custodian, distribution, lawyers, etc.)	Net assets less units or shares of UCIs	Maximum rate: 2.00% incl. taxes*
Maximum indirect fees (management fees)	Net assets	Maximum rate: **
Turnover fee collected by the custodian, CACEIS Bank	Charged on each transaction	From €0 to €63.38 incl. taxes***
Turnover fee collected by the Management Company	Charged on each transaction	By type of instrument incl. taxes: Equities and the equivalent: 0.01% max. Bonds and the equivalent: 0.03% max. Futures and options: €1 max. per lot
Performance fees	Net assets	None

\* including financial management fees of 1.50%

\*\* Not material, as UCIs account for less than 20% of the portfolio

\*\*\* Depending on the prevailing VAT rate



**MC and V unit class**

<b>Fees charged to the UCI</b>	<b>Base</b>	<b>Rate</b>
Management fees including external management fees (statutory auditor, depositary, distribution, lawyers, etc.)	Net assets less units or shares of UCIs	Maximum rate: 1.50% incl. taxes
Maximum indirect fees (management fees)	Net assets	Maximum rate: *
Turnover fee collected by the custodian, CACEIS Bank	Charged on each transaction	From €0 to €63.38 incl. taxes**
Turnover fee collected by the Management Company	Charged on each transaction	By type of instrument incl. taxes: Equities and the equivalent: 0.01% max. Bonds and the equivalent: 0.03% max. Futures and options: € 1 max. per lot
Performance fees	Net assets	None

\* Not material, as UCIs account for less than 20% of the portfolio

\*\* Depending on the prevailing VAT rate

**G unit class**

<b>Fees charged to the UCI</b>	<b>Base</b>	<b>Rate</b>
Management fees including external management fees (statutory auditor, custodian, distribution, lawyers, etc.)	Net assets	Maximum rate: 1.40% incl. taxes
Maximum indirect fees (management fees)	Net assets	Maximum rate: *
Turnover fee collected by the custodian, CACEIS Bank	Charged on each transaction	From €0 to €63.38 incl. taxes**
Turnover fee collected by the Management Company	Charged on each transaction	By type of instrument incl. taxes: Equities and the equivalent: 0.01% max. Bonds and the equivalent: 0.03% max. Futures and options: € 1 max. per lot
Performance fees	Net assets	None

\* Not material, as UCIs account for less than 20% of the portfolio

\*\* Depending on the prevailing VAT rate

### **O unit class**

<b>Fees charged to the UCI</b>	<b>Base</b>	<b>Rate</b>
Management fees including external management fees (statutory auditor, depositary, distribution, lawyers, etc.)	Net assets	Maximum rate: 0.10% incl. taxes
Maximum indirect fees (management fees)	Net assets	Maximum rate: *
Turnover fee collected by the custodian, CACEIS Bank	Charged on each transaction	From €0 to €63.38 incl. taxes**
Turnover fee collected by the Management Company	Charged on each transaction	By type of instrument incl. taxes: Equities and the equivalent: 0.01% max. Bonds and the equivalent: 0.03% max. Futures and options: € 1 max. per lot
Performance fees	Net assets	None

\* Not material, as UCIs account for less than 20% of the portfolio

\*\* Depending on the prevailing VAT rate

Income from temporary purchases and sales of securities accrues to the UCITS.

### **Appropriation of distributable sums**

#### ***Definition of distributable sums:***

Distributable sums consist of:

#### ***Net income:***

The net income for the period is equal to total interest, arrears, premiums and bonuses, dividends, directors' attendance fees and any other income from the securities held in the portfolio, plus income from temporary cash holdings, and less management fees and interest on loans.

This is combined with retained earnings and increased or decreased by the balance of the income adjustment account.

#### ***Capital gains and losses:***

The realised capital gains, net of fees, less any realised capital losses, net of fees, recorded during the period, plus any net capital gains of the same kind recorded during previous periods that have not been distributed or accumulated, and plus or minus the balance of the capital gain adjustment account.

**Appropriation of distributable sums:**

<b>Distributable Sums</b>	<b>I, M, MUH, N, O and R unit class</b>	<b>G unit class</b>	<b>V unit class</b>
Appropriation of net income	Accumulation	Accumulation and/or Distribution. Possibility of paying interim dividends. Possibility of carrying over earnings in full or in part.	Capitalisation and/or Distribution
Appropriation of net realised capital gains or losses	Accumulation	Accumulation and/or Distribution. Possibility of paying interim dividends. Possibility of carrying over earnings in full or in part.	Capitalisation and/or Distribution

• **CHANGE IN NET ASSETS in EUR**

	28/02/2018	28/02/2017
<b>Net assets at the start of the period</b>	<b>1,101,327,873.57</b>	<b>826,707,744.02</b>
Subscriptions (including subscription fees accruing to the UCI)	655,479,676.74	626,852,209.04
Redemptions (less the redemption fees accruing to the UCI)	-406,239,905.29	-512,546,434.37
Capital gains realised on deposits and financial instruments	21,165,101.47	40,554,631.52
Capital losses realised on deposits and financial instruments	-4,819,723.91	-2,705,832.65
Capital gains realised on forward financial instruments	115,572.97	18,706.82
Capital losses realised on forward financial instruments	-797,535.69	-63,320.19
Transaction fees	-1,187,722.17	-1,078,469.22
Foreign exchange differences	-1,910,189.38	-1,336.72
Changes in the valuation differential for deposits and financial instruments	350,498,816.44	125,320,082.17
Valuation differential for period N	679,854,908.53	329,356,092.09
Valuation differential for period N-I	-329,356,092.09	-204,036,009.92
Changes in the valuation differential for forward financial instruments		
Valuation differential for period N		
Valuation differential for period N-I		
Distribution in respect of net capital gains and losses during the previous period		
Distribution in respect of net income during the previous period	-567,604.86	-122,509.68
Net income for the period before accruals	-4,894,744.12	-1,607,597.17
Interim dividends paid in respect of net capital gains and losses during the period		
Interim dividends paid in respect of net income during the period	-368,794.48	
Other items		
<b>Net assets at the end of the period</b>	<b>1,707,800,821.29</b>	<b>1,101,327,873.57</b>

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

	Amount	%
<b>Assets</b>		
<b>Bonds and equivalent securities</b>		
Bonds and equivalent securities		
<b>TOTAL Bonds and equivalent securities</b>		
<b>Debt securities</b>		
Debt securities		
<b>TOTAL Debt securities</b>		
<b>Liabilities</b>		
<b>Sales of financial instruments</b>		
Equities and equivalent securities		
<b>TOTAL Sales of financial instruments</b>		
<b>Off-balance sheet items</b>		
<b>Hedging transactions</b>		
Equities		
<b>TOTAL Hedging transactions</b>		
<b>Other transactions</b>		
Equities		
<b>TOTAL Other transactions</b>		

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

	Fixed rate	%	Variable rate	%	Adjustable rate	%	Other	%
<b>Assets</b>								
Deposits								
Bonds and equivalent securities								
Debt securities								
Temporary securities transactions								
Financial accounts							2,146,860.13	0.13
<b>Liabilities</b>								
Temporary securities transactions								
Financial accounts							499,988.51	0.03
<b>Off-balance sheet items</b>								
Hedging transactions								
Other transactions								

• **BREAKDOWN OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS BY RESIDUAL MATURITY**

	< 3 months	%	3 months - 1 year	%	1 - 3 years	%	3 - 5 years	%	> 5 years	%
<b>Assets</b>										
Deposits										
Bonds and equivalent securities										
Debt securities										
Temporary securities transactions	2,146,860.13	0.13								
Financial accounts										
<b>Liabilities</b>										
Temporary securities transactions										
Financial accounts										
<b>Off-balance sheet items</b>										
Hedging transactions	499,988.51	0.03								
Other transactions										

Forward interest-rate positions are presented according to the maturity dates of the underlying assets.

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

	CHF		USD		Other currencies			
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>								
Deposits								
Equities and equivalent securities	75,613,898.75	4.43						
Bonds and equivalent securities								
Debt securities								
UCIs								
Temporary securities transactions								
Receivables			3,892,685.39	0.23				
Financial accounts	20,712.51							
<b>Liabilities</b>								
Sales of financial instruments								
Temporary securities transactions								
Debt			489,060.83	0.03				
Financial accounts			499,988.51	0.03				
<b>Off-balance sheet items</b>								
Hedging transactions								
Other transactions								

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

	Type of debit/credit	28/02/2018
Receivables	Forward currency purchases	3,493,419.49
	Funds to be received on forward currency sales	486,943.14
	Deferred settlement sales	399,265.90
	Subscriptions receivable	2,891,249.93
	Other receivables	593.91
<b>Total receivables</b>		<b>7,271,472.37</b>
Debts	Forward currency sales	489,060.83
	Funds to be paid on forward currency purchases	3,444,612.03
	Deferred settlement purchases	397,886.55
	Redemptions payable	6,508,589.27
	Management fees	1,781,102.39
<b>Total debts</b>		<b>12,621,251.07</b>

• **NUMBER OF SECURITIES ISSUED OR REDEEMED**

	Units	Amount
<b>I unit class</b>		
Units subscribed for during the period	5,728.234500	60,132,754.18
Units redeemed during the period	-7,667.194200	-81,872,661.73
Net balance of subscriptions/redemptions	-1,938.959700	-21,739,907.55
<b>MUH unit class</b>		
Units subscribed for during the period	83.000000	862,867.17
Units redeemed during the period	-119.000000	-1,396,061.99
Net balance of subscriptions/redemptions	-36.000000	-533,194.82
<b>MC unit class</b>		
Units subscribed for during the period	1,082,477.597000	337,886,601.91
Units redeemed during the period	-612,402.993000	-197,621,639.27
Net balance of subscriptions/redemptions	470,074.604000	140,264,962.64
<b>N unit class</b>		
Units subscribed for during the period	140,706.677400	197,671,845.07
Units redeemed during the period	-67,735.041300	-97,199,710.21
Net balance of subscriptions/redemptions	72,971.636100	100,472,134.86
<b>O unit class</b>		
Units subscribed for during the period	1,306.215000	42,470,609.38
Units redeemed during the period	-602.855000	-19,591,172.87
Net balance of subscriptions/redemptions	703.360000	22,879,436.51
<b>G unit class</b>		
Units subscribed for during the period	548.073000	15,864,493.28
Units redeemed during the period	-281.753000	-8,558,659.22
Net balance of subscriptions/redemptions	266.320000	7,305,834.06
<b>V unit class</b>		
Units subscribed for during the period		
Units redeemed during the period		
Net balance of		
<b>R unit class</b>		
Units subscribed for during the period	1,249.863800	590,505.75
Units redeemed during the period		
Net balance of subscriptions/redemptions	1,249.863800	590,505.75

• **SUBSCRIPTION AND/OR REDEMPTION FEES**

	Amount
<b>I unit class</b>	
Redemption fees accrued	
Subscription fees accrued	
Total fees accrued	
<b>MC unit class</b>	
Redemption fees accrued	
Subscription fees accrued	
Total fees accrued	
<b>MUH unit class</b>	
Redemption fees accrued	
Subscription fees accrued	
Total fees accrued	
<b>N unit class</b>	
Redemption fees accrued	
Subscription fees accrued	
Total fees accrued	



- SUBSCRIPTION AND/OR REDEMPTION FEES**

	Amount
<b>O unit class</b> Redemption fees accrued Subscription fees accrued Total fees accrued	
<b>G unit class</b> Redemption fees accrued Subscription fees accrued Total fees accrued	
<b>V unit class</b> Redemption fees accrued Subscription fees accrued Total fees accrued	
<b>R unit class</b> Redemption fees accrued Subscription fees accrued Total fees accrued	

- MANAGEMENT FEES**

	28/02/2018
<b>I unit class</b> Guarantee fees Fixed management fees Percentage of fixed management fees Variable management fees Refunding of management fees	  6,032,677.62 1.53  
<b>MC unit class</b> Guarantee fees Fixed management fees Percentage of fixed management fees Variable management fees Refunding of management fees	  7,236,919.24 1.00  
<b>MUH unit class</b> Guarantee fees Fixed management fees Percentage of fixed management fees Variable management fees Refunding of management fees	  39,940.74 1.00  
<b>N unit class</b> Guarantee fees Fixed management fees Percentage of fixed management fees Variable management fees Refunding of management fees	  5,871,891.24 1.92  
<b>O unit class</b> Guarantee fees Fixed management fees Percentage of fixed management fees Variable management fees Refunding of management fees	  33,304.79 0.07  

- **MANAGEMENT FEES**

	28/02/2018
<b>G unit class</b>	
Guarantee fees	
Fixed management fees	193,123.52
Percentage of fixed management fees	0.23
Variable management fees	
Refunding of management fees	
<b>V unit class</b>	
Guarantee fees Fixed	
management fees	
Percentage of fixed management fees	
Variable management fees	
Refunding of management fees	
<b>R unit class</b>	
Guarantee fees	
Fixed management fees	303.33
Percentage of fixed management fees	1.12
Variable management fees	
Refunding of management fees	

- **COMMITMENTS RECEIVED AND GIVEN**

**Guarantees received by the UCI:**

None.

**Other commitments received and/or given:**

None.

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

	28/02/2018
Securities lent	
Securities borrowed	

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

	28/02/2018
Financial instruments given as a guarantee kept under their original heading	
Financial instruments received as a guarantee and not entered in the balance	

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

	ISIN	Description	28/02/2018
Equities			
Bonds			
Negotiable debt securities			
UCIs			27,842,931.74
	FR0010582452	GROUPAMA EONIA IC	27,842,931.74
Forward financial instruments			

- **INTERIM DIVIDENDS PAID IN RESPECT OF THE PERIOD**

	Date	Unit class	Total amount	Amount per unit	Total tax credits	Tax credits per unit
Interim dividends	23/11/2017	G	368,794.48	130.43		36.21
<b>Total</b>			368,794.48	130.43		36.21

- APPROPRIATION OF THE SHARE OF THE DISTRIBUTABLE SUMS PERTAINING TO NET INCOME**

	28/02/2018	28/02/2017
<b>Sums yet to be appropriated</b>		
Retained earnings	21.08	0.14
Net income	-4,984,528.56	-1,277,291.41
<b>Total</b>	<b>-4,984,507.48</b>	<b>-1,277,291.27</b>

	28/02/2018	28/02/2017
<b>I unit class</b>		
<b>Appropriation</b>		
Distribution		
Retained earnings for the period		
Accumulation	-2,203,379.27	-1,256,734.39
<b>Total</b>	<b>-2,203,379.27</b>	<b>-1,256,734.39</b>

	28/02/2018	28/02/2017
<b>MUH unit class</b>		
<b>Appropriation</b>		
Distribution		
Retained earnings for the period		
Accumulation	245.09	-10,604.54
<b>Total</b>	<b>245.09</b>	<b>-10,604.54</b>

	28/02/2018	28/02/2017
<b>MC unit class</b>		
<b>Appropriation</b>		
Distribution		
Retained earnings for the period		
Accumulation	-334,249.56	564,043.54
<b>Total</b>	<b>-334,249.56</b>	<b>564,043.54</b>

	28/02/2018	28/02/2017
<b>N unit class</b>		
<b>Appropriation</b>		
Distribution		
Retained earnings for the period		
Accumulation	-3,206,167.06	-1,394,813.11
<b>Total</b>	<b>-3,206,167.06</b>	<b>-1,394,813.11</b>

	28/02/2018	28/02/2017
<b>O unit class</b>		
<b>Appropriation</b>		
Distribution		
Retained earnings for the period		
Accumulation	518,596.91	297,605.50
<b>Total</b>	<b>518,596.91</b>	<b>297,605.50</b>

	28/02/2018	28/02/2017
<b>G unit class</b>		
<b>Appropriation</b>		
Distribution	240,704.93	523,192.31
Retained earnings for the period	27.67	19.14
Market capitalisation		
<b>Total</b>	<b>240,732.60</b>	<b>523,211.45</b>
<b>Information about units offering entitlement to distribution</b>		
Number of units	2,793.697000	2,527.377000
Distribution per unit	86.16	207.01
<b>Tax credits</b>		
Tax credit attached to the distribution of net income	108,319.67	76,391.83

	28/02/2018	28/02/2017
<b>V unit class</b>		
<b>Appropriation</b>		
Distribution		
Retained earnings for the period		
Accumulation	0.46	0.28
<b>Total</b>	<b>0.46</b>	<b>0.28</b>

	28/02/2018	28/02/2017
<b>R unit class</b>		
<b>Appropriation</b>		
Distribution		
Retained earnings for the period		
Accumulation	-286.65	
<b>Total</b>	<b>-286.65</b>	

- **APPROPRIATION OF THE SHARE OF THE DISTRIBUTABLE SUMS PERTAINING TO NET CAPITAL GAINS AND LOSSES**

	28/02/2018	28/02/2017
<b>Sums yet to be appropriated</b>		
Prior undistributed net capital gains and losses		699,038.00
Net capital gains and losses for the period	15,137,628.52	35,739,322.18
Interim dividends in respect of net capital gains and losses for the period		
<b>Total</b>	<b>15,137,628.52</b>	<b>36,438,360.18</b>

	28/02/2018	28/02/2017
<b>I unit class</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	3,752,697.77	10,985,824.08
<b>Total</b>	<b>3,752,697.77</b>	<b>10,985,824.08</b>

	28/02/2018	28/02/2017
<b>MC unit class</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	7,061,194.64	15,360,686.21
<b>Total</b>	<b>7,061,194.64</b>	<b>15,360,686.21</b>

	28/02/2018	28/02/2017
<b>MUH unit class</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-352,207.28	129,429.59
<b>Total</b>	<b>-352,207.28</b>	<b>129,429.59</b>

	28/02/2018	28/02/2017
<b>N unit class</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	3,273,174.64	6,211,336.11
<b>Total</b>	<b>3,273,174.64</b>	<b>6,211,336.11</b>

	28/02/2018	28/02/2017
<b>O unit class</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	579,890.30	995,038.50
<b>Total</b>	<b>579,890.30</b>	<b>995,038.50</b>

	28/02/2018	28/02/2017
<b>G unit class</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	822,902.73	2,756,044.45
<b>Total</b>	<b>822,902.73</b>	<b>2,756,044.45</b>

	28/02/2018	28/02/2017
<b>V unit class</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	0.51	1.24
<b>Total</b>	<b>0.51</b>	<b>1.24</b>

	28/02/2018	28/02/2017
<b>R unit class</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-24.79	
<b>Total</b>	<b>-24.79</b>	



• **FIVE-YEAR FINANCIAL SUMMARY**

	30/09/2014	27/02/2015	29/02/2016	28/02/2017	28/02/2018
<b>Total net assets in EUR</b>	<b>463,927,825.21</b>	<b>482,678,299.44</b>	<b>826,707,744.02</b>	<b>1,101,327,873.57</b>	<b>1,707,800,821.29</b>
<b>GROUPAMA AVENIR EURO I</b>					
Net assets in EUR	217,380,924.88	179,207,296.06	235,924,190.64	338,633,404.04	412,367,970.22
Number of securities	39,402.402200	25,491.045700	30,201.497000	36,752.978800	34,814.019100
Net asset value per unit in EUR	5,516.94	7,030.20	7,811.67	9,213.76	11,844.88
Accumulation per unit in respect net losses in EUR	139.02	159.02	-57.42	298.90	107.79
Accumulation per unit in respect net income	4.21	-26.65	-31.52	-34.19	-63.29
<b>GROUPAMA AVENIR EURO M</b>					
Net assets in EUR	111,908,867.27	170,067,666.86	333,143,729.58	474,073,799.97	778,155,899.46
Number of securities	696,143.495000	827,886.267000	1,450,569.800000	1,740,809.961000	2,210,884.565000
Net asset value per unit in EUR	160.75	205.42	229.66	272.32	351.96
Accumulation per unit in respect gains and losses in EUR	4.03	4.60	-1.69	8.82	3.19
Accumulation per unit in respect net income in EUR	1.21	-0.29	0.45	0.32	-0.15
<b>GROUPAMA AVENIR EURO MUH</b>					
Net assets in USD				3,162,567.74	3,667,505.93
Number of securities				293.000000	257.000000
Net asset value per unit in EUR				10,793.74	14,270.45
Accumulation per unit in respect gains and losses in EUR				441.73	-1,370.45
Accumulation per unit in respect net income in EUR				-36.19	0.95
<b>GROUPAMA AVENIR EURO N</b>					
Net assets in EUR	22,270,458.38	26,348,694.26	129,231,043.42	191,289,056.05	358,923,265.88
Number of securities	30,244.234200	28,114.114300	124,508.311000	156,858.525400	229,830.161500
Net asset value per unit in EUR	736.35	937.20	1,037.93	1,219.50	1,561.68
Accumulation per unit in respect gains and losses in EUR	18.58	20.95	-7.36	39.59	14.24
Accumulation per unit in respect net income in EUR	-1.60	-4.49	-7.65	-8.89	-13.95

\* \* The tax credit per unit will only be determined on the distribution date, in accordance with tax provisions in force.

\* 30/09/2014: the Management Company had initially decided to distribute the result of the V unit. It ultimately decided to capitalise the result, after certification of the accounts by the auditor.

• **FIVE-YEAR FINANCIAL SUMMARY**

	30/09/2014	27/02/2015	29/02/2016	28/02/2017	28/02/2018
<b>Total net assets in EUR</b>	<b>463,927,825.21</b>	<b>482,678,299.44</b>	<b>826,707,744.02</b>	<b>1,101,327,873.57</b>	<b>1,707,800,821.29</b>
<b>GROUPAMA AVENIR EURO O</b>					
Net assets in EUR	39,902,050.73	15,122,198.59	12,175,119.28	30,776,038.56	64,226,029.21
Number of securities	2,628.926000	777.312000	555.220000	1,172.660000	1,876.020000
Net asset value per unit in EUR	15,178.08	19,454.47	21,928.45	26,244.63	34,235.25
Accumulation per unit in respect gains and losses in EUR	379.46	435.96	-162.77	848.53	309.10
Accumulation per unit in respect net income in EUR	223.68	21.54	218.58	253.78	276.43
<b>GROUPAMA AVENIR EURO G</b>					
Net assets in EUR	23,502,411.79	29,221,327.41	45,675,927.09	63,579,281.28	90,505,213.32
Number of securities	1,576.051000	1,547.992000	2,165.037000	2,527.377000	2,793.697000
Net asset value per unit in EUR	14,912.21	18,876.92	21,097.06	25,156.23	32,396.21
Net capital gains and losses per unit in EUR		426.05	276.58		
Accumulation per unit in respect gains and losses in EUR	374.76			1,090.47	294.55
Distribution per unit in respect of net income in EUR	196.27	10.55	178.65	207.01	216.59
Retained earnings per unit in respect of net income in EUR					
Tax credit per unit in EUR	25.011				*
<b>GROUPAMA AVENIR EURO V</b>					
Net assets in EUR	48,963,112.16	62,711,116.26	70,557,734.01	39.44	51.58
Number of securities	2,136.001000	2,136.001000	2,136.001000	0.001000	0.001000
Net asset value per unit in EUR	22,922.79	29,359.12	33,032.63	39,440.00	51,580.00
Accumulation per unit in respect gains and losses in EUR	573.68	658.15	-245.04	1,240.00	510.00
Accumulation per unit in respect net income in EUR	296.12	13.95	270.97	280.00	460.00
<b>GROUPAMA AVENIR EURO R</b>					
Net assets in EUR					615,376.55
Number of securities					1,249.863800
Net asset value per unit in EUR					492.35
Accumulation per unit in respect gains and losses in EUR					-0.01
Accumulation per unit in respect net income in EUR					-0.22

\* \* The tax credit per unit will only be determined on the distribution date, in accordance with tax provisions in force.

\* 30/09/2014: the Management Company had initially decided to distribute the result of the V unit. It ultimately decided to capitalise the result, after certification of the accounts by the auditor.

• **INVENTORY in EUR**

Description of securities	Currency	Qty Nbr or nominal amount	Current value	% of Net Assets
<b>Equities and equivalent securities</b>				
<b>Equities and equivalent securities traded on a regulated or equivalent market</b>				
<b>GERMANY</b>				
CARL ZEISS MEDITEC AG	EUR	923,816	46,929,852.80	2.74
COMPUGROUP MEDICAL AG	EUR	838,911	39,227,478.36	2.30
CTS EVENTIM AG	EUR	242,031	9,686,080.62	0.57
DRILLISCH	EUR	337,968	21,444,069.60	1.26
DUERR AG	EUR	188,740	19,053,303.00	1.12
GRENKELEASING NAMENS-AKT.	EUR	521,418	46,745,123.70	2.74
INDUS HOLDING AG	EUR	216,983	13,301,057.90	0.78
ISRA VISION SYSTEMS AG	EUR	209,996	41,957,200.80	2.46
JUNGHEINRICH AG	EUR	1,081,156	43,354,355.60	2.54
KION GROUP AG	EUR	501,715	35,360,873.20	2.07
KONIG UND BAUER ALBERT ORD.	EUR	397,583	28,725,371.75	1.68
KRONES AG	EUR	150,748	16,763,177.60	0.98
NEMETSCHEK	EUR	1,071,518	90,436,119.20	5.29
NORMA GROUP NAMEN	EUR	298,702	18,086,406.10	1.06
RATIONAL AG	EUR	46,977	25,062,229.50	1.47
RIB SOFTWARE	EUR	1,030,666	31,497,152.96	1.84
SARTORIUS PRIV.	EUR	244,246	27,111,306.00	1.59
SIXT AG	EUR	353,298	30,524,947.20	1.79
WIRECARD AG	EUR	632,753	62,465,376.16	3.65
XING AG	EUR	120,661	31,009,877.00	1.82
ZOPLUS	EUR	64,368	11,508,998.40	0.67
<b>TOTAL GERMANY</b>			<b>690,250,357.45</b>	<b>40.42</b>
<b>BELGIUM</b>				
ECONOCOM GROUP NV	EUR	2,407,861	16,024,314.96	0.94
ION BEAM APPLICATIONS NV	EUR	200,468	4,237,893.52	0.25
MELEXIS	EUR	621,847	56,277,153.50	3.29
<b>TOTAL BELGIUM</b>			<b>76,539,361.98</b>	<b>4.48</b>
<b>FINLAND</b>				
HUHTAMAKI OY	EUR	502,163	17,470,250.77	1.02
<b>TOTAL FINLAND</b>			<b>17,470,250.77</b>	<b>1.02</b>
<b>FRANCE</b>				
ALTEN	EUR	305,142	24,167,246.40	1.42
ALTRAN TECHNOLOGIES	EUR	2,386,458	35,629,817.94	2.09
EOS IMAGING PROMESSES	EUR	292,575	1,638,420.00	0.10
ID LOGISTICS GROUP	EUR	170,206	23,488,428.00	1.38
LECTRA	EUR	773,078	17,935,409.60	1.05
LISI EX GFI INDUSTRIES SA	EUR	401,935	14,670,627.50	0.86
NATUREX	EUR	212,307	20,678,701.80	1.21
SARTORIUS STEDIM BIOTECH	EUR	785,262	57,167,073.60	3.34
SR TELEPERFORMANCE	EUR	569,861	66,730,723.10	3.90
UBI SOFT ENTERTAINMENT	EUR	893,181	60,736,308.00	3.55
<b>TOTAL FRANCE</b>			<b>322,842,755.94</b>	<b>18.90</b>

Description of	Curre	Qty Nbr or nominal amount	Current value	% of Net
<b>ITALY</b>				
BANCA IFIS SPA	EUR	789,968	27,854,271.68	1.63
BIESSE	EUR	990,916	45,047,041.36	2.64
BREMBO SPA	EUR	4,257,526	48,961,549.00	2.86
DATALOGIC SPA	EUR	1,293,132	39,699,152.40	2.32
DE LONGHI SPA	EUR	1,103,242	25,573,149.56	1.50
FINECOBANK SPA	EUR	4,739,300	47,961,716.00	2.81
INDUSTRIA MACCHINE AUTOMATIC	EUR	521,102	37,128,517.50	2.17
REPLY FRAZION	EUR	888,236	43,701,211.20	2.56
TECHNOGYM	EUR	4,679,773	38,514,531.79	2.26
<b>TOTAL ITALY</b>			<b>354,441,140.49</b>	<b>20.75</b>
<b>LUXEMBOURG</b>				
EUROFINS SCIENTIFIC	EUR	121,936	56,529,529.60	3.31
STABILUS SA	EUR	530,954	41,600,245.90	2.44
<b>TOTAL LUXEMBOURG</b>			<b>98,129,775.50</b>	<b>5.75</b>
<b>NETHERL</b>				
WESSANEN NV	EUR	2,943,714	47,334,921.12	2.77
<b>TOTAL NETHERLANDS</b>			<b>47,334,921.12</b>	<b>2.77</b>
<b>SWITZ</b>				
INTERROLL HOLDING AG NAMEN	CHF	35,766	50,764,044.59	2.97
U-BOX HOLDING	CHF	138,106	24,849,854.16	1.46
<b>TOTAL SWITZERLAND</b>			<b>75,613,898.75</b>	<b>4.43</b>
<b>TOTAL Equities &amp; equiv. sec. traded on a reg. or equiv.</b>			<b>1,682,622,462.00</b>	<b>98.52</b>
<b>TOTAL Equities and equivalent securities</b>			<b>1,682,622,462.00</b>	<b>98.52</b>
<b>Undertakings for collective investment</b>				
<b>General-purpose retail UCITSs and AIFs and the equivalent in other countries</b>				
<b>FRANCE</b>				
GROUPAMA EONIA IC	EUR	129,684	27,842,931.74	1.63
<b>TOTAL FRANCE</b>			<b>27,842,931.74</b>	<b>1.63</b>
<b>LUXEMBOURG</b>				
G FUND - AVENIR SMALL CAP EURO IC	EUR	999,629	1,038,334.63	0.06
<b>TOTAL LUXEMBOURG</b>			<b>1,038,334.63</b>	<b>0.06</b>
<b>TOTAL General-purpose retail UCITS and AIFs and the equivalent in other countries</b>			<b>28,881,266.37</b>	<b>1.69</b>
<b>TOTAL Undertakings for collective investment</b>			<b>28,881,266.37</b>	<b>1.69</b>
<b>Receivables</b>			<b>7,271,472.37</b>	<b>0.43</b>
<b>Debt</b>			<b>-12,621,251.07</b>	<b>-0.74</b>
<b>Financial accounts</b>			<b>1,646,871.62</b>	<b>0.10</b>
<b>Net assets</b>			<b>1,707,800,821.29</b>	<b>100.00</b>

<b>GROUPAMA AVENIR EURO V</b>	<b>EUR</b>	<b>0.001000</b>	<b>51,580.00</b>
<b>GROUPAMA AVENIR EURO R</b>	<b>EUR</b>	<b>1,249.863800</b>	<b>492.35</b>
<b>GROUPAMA AVENIR EURO I</b>	<b>EUR</b>	<b>34,814.019100</b>	<b>11,844.88</b>
<b>GROUPAMA AVENIR EURO O</b>	<b>EUR</b>	<b>1,876.020000</b>	<b>34,235.25</b>
<b>GROUPAMA AVENIR EURO N</b>	<b>EUR</b>	<b>229,830.161500</b>	<b>1,561.68</b>
<b>GROUPAMA AVENIR EURO MUH</b>	<b>USD</b>	<b>257.000000</b>	<b>14,270.45</b>
<b>GROUPAMA AVENIR EURO M</b>	<b>EUR</b>	<b>2,210,884.565000</b>	<b>351.96</b>
<b>GROUPAMA AVENIR EURO G</b>	<b>EUR</b>	<b>2,793.697000</b>	<b>32,396.21</b>

- **ADDITIONAL INFORMATION RELATING TO THE COUPON TAX RULES**

**BREAKDOWN OF THE COUPON FOR UNIT CLASS: G**

	<b>NET TOTAL</b>	<b>CURREN CY</b>	<b>NET PER UNIT</b>	<b>CURREN CY</b>
Income subject to a mandatory non-discharging levy deducted at source				
Equities offering entitlement to a tax allowance and subject to a mandatory	240,704.93	EUR	86.16	EUR
Other income not offering entitlement to a tax allowance and subject to a mandatory non-discharging levy deducted at source				
Non-declarable and non-taxable income				
Total sums distributed in respect of capital gains and losses				
<b>TOTAL</b>	<b>240,704.93</b>	<b>EUR</b>	<b>86.16</b>	<b>EUR</b>

## 7. APPENDICES





# LAW ON THE ENERGY TRANSITION FOR GREEN GROWTH

ART.173 – Communication on the consideration of ESG issues in the management of UCIs

## Groupama Avenir Euro

<b>Fund name</b>	<b>GROUPAMA AVENIR EURO</b>
AMF category	Eurozone equities
AuM > €500 million	YES
AuM as of 29/12/2017 (all units, in €m)	1,630
Fund strategy	<p>The Fund is invested in Eurozone small and mid-caps, on which the manager implements conviction-based management strategies independent of the benchmark (MSCI EMU Small Caps dividends reinvested). The strategy is based on a pure stock-picking approach, fully invested, without management of beta or cash.</p> <p>The investment process is designed to identify, analyse and select business models deemed value-creating in a long-term investment perspective. Proximity to company management is central to the process of validating the business model.</p> <p>Companies are selected when they are deemed able to increase their revenue, operating income and cash flows by positioning themselves in growing markets and on relevant product, customer and geographical development strategies. Systematic financial modelling is performed of the company's outlook, as is a long-term valuation, translating our vision of the elements of value creation for shareholders into stock-market potential.</p> <p>Our aim, once we have selected the stocks, is to support the industrial strategies of the companies present in the portfolio over the long term.</p>
Recommended minimum investment period	More than 5 years
Inclusion in funds under management	NO

investment (RI)	
RI category:	/

## ESG criteria taken into account

Since the early 2000s, Groupama AM has been a pioneer in Socially Responsible Investment (SRI) and the integration of environmental, social and governance (ESG) criteria into classic fund management.

Our approach to the integration of ESG criteria in company analysis is based on two observations:

- First, there have been several crises sparked by governance issues since the bursting of the dotcom bubble, with a considerable impact on the value of the assets for which management companies are responsible;
- Second, profound change is underway in our economies: global warming and the need to move towards a low-carbon economy, ageing population and shift towards a digital economy.

These observations have prompted us to focus on the following aspects:

- The search for close dialogue with stakeholders, and above all the managements of the selected companies;
- The ability to detect new opportunities by bringing particularly innovative companies in their respective sectors into the portfolio.

The Groupama Avenir Euro Mutual Fund is managed within Groupama AM's equity and convertible management team and is invested in Eurozone small and mid-caps.

**ESG analysis is not integrated into the Fund's investment process. There are two main reasons for this choice:**

- **First, the inclusion of ESG criteria would distort the Fund's investment strategy and the portfolio's current composition;**
- **Second, the breadth of non-financial coverage currently obtained through our data providers is not sufficient.**

Incorporating ESG criteria into the management of small and mid-cap funds implies sufficiently broad non-financial coverage. In the case of small caps, or even mid-caps, the data needed for this analysis are not as readily available as for large caps, whose SRI policies can be more easily identified through measurable indicators.

**Our current suppliers of non-financial data do not allow us, at this point, to provide relevant information on the Fund's ESG criteria or carbon footprint.**

For example, our carbon footprint data covered only 1.50% of portfolio stocks as of 29 December 2017. Similarly, we cover only about 30% of the portfolio on E and S criteria. This low level of coverage prevent us from providing truly relevant non-financial data on the Fund.

That said, data on the G criterion are available for more than 90% of issuers in the portfolio, implying good coverage.

Because our performance is driven solely by stock-picking, the ability of selected companies to generate long-term growth is central to our investment process.

- Proximity with the management of the selected companies: we are out the lookout for sources of long-term stability and performance, such as quality management, and this is a core aspect of our analysis process. As such, other than the level of coverage on the G criterion via our non-financial data providers, the Fund's investment process places proximity with company management at the heart of the selection and business model validation process. This allows us to limit our investments to companies we know and understand well, and which we can model and value. Our aim, once we have selected the stocks, is to support the industrial strategies of the companies present in the portfolio over the long term.

- Importance of innovation in the selection process: the Fund is invested above all in innovation in medical technologies, innovation in the automotive sector (for which the challenge of reducing vehicle weight, vehicle electrification as a means of reducing pollutant emissions, and improved safety are key), efficiency of production processes through automation and robotics, and the digital economy.

While ESG analysis is not part of the investment process, experience-based analogies can be found with a selection process incorporating ESG analysis. For instance, a company that through innovation can grow by positioning itself on a niche market/product, set its prices and protect its margins could be included in the Fund's portfolio. The same company could also be selected via an investment process integrating an ESG dimension if for instance its innovations served to reduce carbon emissions on the three scopes.

Lastly, certain securities are excluded from the portfolio by Groupama AM's overriding policy applied since 1 May 2009 on the exclusion of companies recognised as being involved in the manufacture of cluster bombs and/or anti-personnel landmines, which applies to all portfolios and mandates under management.

It covers production activities including storage, distribution and marketing.

Investments are also prohibited:

- when the country of issue is on the French list of non-cooperative tax jurisdictions (Botswana, Brunei, Guatemala, Marshall Islands, Nauru Island, Niue Island and Panama);
- with embargoed countries or those subject to financial sanctions;
- with third parties involved in terrorist financing and/or whose assets have been frozen, within portfolio assets and liabilities.

## Analysis data used

As ESG analysis is not part of the Fund's investment process, no non-financial analysis data is currently used within the Fund.

## Analysis methodology

As ESG analysis is not part of the Fund's investment process, no non-financial analysis methodology is currently applied within the Fund.

## Integration of ESG analysis in the Fund's investment process

ESG analysis is not part of the Fund's investment process.

### Contribution to the achievement of the international objective in the fight against global warming and the attainment of the objectives of the Energy and Ecological Transition

As the Fund's composition is focused on small and mid-cap stocks, our current suppliers of non-financial data are unable at this time to provide relevant information on ESG criteria or the Fund's carbon footprint.

For example, as of 29 December 2017, our carbon footprint data covered only 1 stock out of the 63 comprising the portfolio.