

Varenne UCITS



Investment Company with Variable Capital (SICAV)

**Unaudited semi-annual report
as at 30 June 2022**

R.C.S. Luxembourg B 257907

Varenne UCITS

Table of contents

Organisation and administration	3
Report of the Board of Directors	4
Combined statement of net assets as at 30/06/22	14
Combined statement of operations and changes in net assets for the period ended 30/06/22	15
Sub-funds:	17
Varenne UCITS - VARENNE GLOBAL (launched on 14/02/22)	17
Varenne UCITS - VARENNE VALEUR (launched on 25/04/22)	23
Notes to the financial statements - Schedule of derivative instruments	29
Other notes to the financial statements	35

No subscription can be received on the basis of this financial report. Subscriptions are only valid if made on the basis of the current Prospectus supplemented by the latest annual report and the latest semi-annual report if published thereafter.

Varenne UCITS

Organisation and administration

Registered Office	5, Allée Scheffer L-2520 Luxembourg Grand Duchy of Luxembourg
Board of Directors	
Chairman	Fabrice Huberty Independent Director
Directors	Thierry Goudin Sarah Ksas Chief Compliance Officer Varenne Capital Partners Charles Muller Independent Director
Management Company and Global Distributor	Varenne Capital Partners 42, Avenue Montaigne 75008 Paris France
Depositary, Administrator and Paying Agent	CACEIS Bank, Luxembourg Branch 5, Allée Scheffer L-2520 Luxembourg Grand Duchy of Luxembourg
Auditor	PricewaterhouseCoopers, <i>Société Coopérative</i> 2, Rue Gerhard Mercator L-2182 Luxembourg Grand Duchy of Luxembourg
Legal adviser as to matters of Luxembourg law	Arendt & Medernach S. A. 41A, Avenue J.F. Kennedy L-2082 Luxembourg Grand Duchy of Luxembourg

Varenne UCITS

Report of the Board of Directors

CHANGES OVER THE PERIOD

Two Sub-Funds were launched during the period:

- As of February 14th 2022, the Sub Fund Varenne Global was created by the merger-absorption of the French FCP Varenne Global with a ratio of 1 to 1,
- As of April 25th 2022, the Sub Fund Varenne Valeur was created by the merger-absorption of the French FCP Varenne Valeur with a ratio of 1 to 1.

The prospectus of the SICAV was updated as of June 10th, 2022. The principal changes are:

- *Entry into force of the Taxonomy Regulation*

The Board has decided to amend the Prospectus to be compliant with the disclosure requirements stated under Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment.

In particular, in each Supplement the following disclosure has been inserted: "*The investments underlying the Sub-Fund do not take into account the EU criteria for environmentally sustainable economic activities as per the EU Taxonomy Regulation.*"

- *Amendments to the performance fee model*

The Board has decided to amend the performance fee section of each Supplement in order to be in line with the ESMA Guidelines on performance fees for UCITS and certain types of AIFs.

Among these changes, it has been decided to remove the reference to different investment objectives between the Share Classes, and to disclose only the same common net investment objective (before payment of the Performance Fee, if any).

There is no material amendment to the performance fee model applied by the Fund.

- *For Varenne Valeur*

The Board has corrected a typo in the investment objective of the Fund. It was previously indicated that the investment objective of the Sub-Fund was CNO-TEC 5 + at least 320 basis points over the recommended investment period, while the Sub-Fund has been managed with an investment objective corresponding to CNO-TEC 5 + at least 300 basis points over the recommended investment period.

GLOBAL EXPOSURE LIMITS

The global exposure of the two Sub-Funds of the SICAV is calculated using the absolute VaR approach. Under the absolute VaR approach a limit is set as a percentage of the Net Asset Value of the Sub-Fund. Based on the above calculation parameters, the absolute VaR of each Sub-Fund is limited to 20% of its Net Asset Value.

As of June 30th 2022, the VaR of the Sub-funds were:

- For Varenne Global 13.24%
- For Varenne Valeur 8.94%

PERFORMANCE FEES

As indicated in the Supplement of each Sub fund section "Performance Fee" the Performance Fee Rate is a maximum that can be reduced at the discretion of the Management Company, taking into account, among others, the level of interest rates. In that case, such reduction will be decided before the beginning of the fiscal year.

For fiscal year 2022, in the interest of its shareholders, the relevant threshold for calculating performance fees for

- Varenne Valeur : will be the maximum between CNO TEC5 + 300 basis points and 3.20%.
- Varenne Global : will be the maximum between Capitalised €STR €STR + 300 basis points and 3.20%.

Varenne UCITS

Report of the Board of Directors

INVESTMENT MANAGEMENT REPORT

GENERAL PRINCIPLES

We believe in two basic principles: *solving equations differently* and *adding value*. Everything we build stems from those that and, as far as investment management goes, translates into the following.

Solving equations differently

- We combine investment strategies into a single structure because it:
 - o is synergistic: Long Equity drives returns throughout the cycle, Short Equity adds idiosyncratic performance, Merger Arbitrage reduces correlation to equity market indexes and contributes to funding our Tail Risk Hedging budget;
 - o copes with changing market and economic conditions through an adaptive portfolio;
 - o allows each team to focus on the most favorable opportunities available and relieves them of the pressure to be “in play” all the time;
 - o efficiently employs investment vehicles’ balance sheets. While we typically do not resort to significant leverage on Long Equity and Short Equity combined, we benefit from it to fund short term Merger Arbitrage trades and Tail Risk Hedging;
 - o optimizes risk profiles.
- We separate risks from opportunities and deal with them independently:
 - o On opportunities:
 - Long Equity: most of the long-term returns come from the quality of the businesses that we select in this pocket of the portfolio and the price that we pay for them. We will always try to maximize our Long Equity exposure.
 - Short Equity: Short Equity should be idiosyncratic and is meant to generate performance. Hedging longs with shorts is at best a very costly proposition leading to sub-par long term returns.
 - Merger Arbitrage: much like an insurance business, we underwrite risk only if we are adequately compensated and are perfectly happy to stay on the sidelines when our conditions are not met – typically at times of low volatility and strong equity market performance.
 - o On risk and hedging:
 - Market risk: equity market corrections and bear markets are natural events and should be seen as opportunities for both longs and shorts. In our opinion, an investor is better off accepting market risk, within those boundaries, and only hedging the residual risk in excess of that.
 - Hedging: residual market risk and its root causes can be hedged efficiently through risk/reward asymmetric instruments or trades. Hedging more than that subtracts performance disproportionately and deprives investors of long-term returns.

Adding value

- Research: we believe in 100% proprietary research. We follow a strict “brokers are not welcome” policy and never employ sell-side research. We make extensive use of technology to rely exclusively on our internal origination for original investment ideas.
- Process: for each of the frameworks, our teams add value through proprietary research and a five-step process encompassing universe reduction, idea generation, first-hand analysis, systematic portfolio construction and direct market execution.
 - o Universe reduction: it pays dividends to define safer investment sub-universes where the odds are in the investor’s favor and focus can be put on the best available opportunities. For instance, we limit our Merger Arbitrage activity to announced and friendly deals in order to maximize our team’s hit rate.
 - o Idea generation: we do not believe that receiving the 23rd call of the day from a salesperson pitching the same idea adds any value. We generate original investment ideas internally through our databases, scoring systems and screenings that cover more than 60 countries.
 - o Analysis: first-hand analysis adds value when formalized within a sound investment methodology, which itself ensures recurrence. For each of the frameworks, we have developed specific investment principles and proprietary analytical tools to best implement them.
 - o Portfolio construction: systematic, rule-based, portfolio construction adds value as it forces the teams to formalize decision metrics and to focus on the best available opportunities. It also keeps emotions out of the equation.
 - o Execution: direct market execution reduces costs and enables best execution. No research costs or any other commissions are borne by the investment vehicles.
- Information systems: bespoke information systems are essential at each step of the process. They allow us to manage large volumes of information and orientate each team’s priorities. We have invested heavily in this area and will continue to do so.

Varenne UCITS

Report of the Board of Directors

CONTRIBUTION PER INVESTMENT STRATEGY

The table below summarizes how our portfolios behaved over the last five years

	2017	2018	2019	2020	2021	YTD
UCITS						
VARENNE VALEUR						
Share Class P-EUR (LU2358390321)	5.51%	-2.98%	11.04%	11.08%	20.16%	-12.06%
VARENNE GLOBAL						
Share Class P-EUR (LU2358391725)	8.14%	-4.17%	12.33%	11.60%	28.36%	-21.38%

Source: Varenne Capital Partners – YTD 2022 is as of June 30th, 2022. Returns reflect the reinvestment of dividends and other income and are net of all management and performance fees perceived by the Investment Manager as well as all expenses borne directly by the fund. Other fees and expenses charged to the investor by third parties may apply. Past performance does not predict future returns.
The data presented before Feb 14th, 2022, for Varenne Global and before April 25th 2022 for Varenne Valeur relates to the French Funds and are presented for information only.

We can observe how performance was achieved on the first half of 2022 through the contribution of each investment component:

	VARENNE VALEUR		VARENNE GLOBAL	
	Q1	Q2	Q1	Q2
LONG EQUITY	-8.80%	-7.95%	-14.11%	-15.52%
SHORT EQUITY	-0.06%	0.96%	-0.07%	1.34%
MERGER ARBITRAGE	0.00%	-0.27%	-0.02%	-0.32%
TAIL RISK HEDGING	0.47%	1.78%	0.68%	2.94%

Source : Varenne Capital Partners – Exposures, attributions and contributions are estimated, gross. All figures are believed to be correct to the best of our knowledge, but no assurance can be given on their accuracy or completeness. The information included in the attribution and contribution estimates herein have been obtained from sources believed to be reliable, however these sources cannot be warranted as to their accuracy or completeness. Readers should be aware that exposure, attribution and contribution calculations are indicative and entail significant assumptions and approximations.

Now, looking at the numbers, after many successful years we are clearly not happy with how the portfolios performed during the first half of 2022 and we will try to be very specific about what happened and the playbook for the second half of the year.

We can note that long equity strategy, that is the combination of core, diversified positions, and options, weighed heavily on performance.

In January the portfolio suffered from very strong rotations out of growth company and into “supposedly” value ones. Though high multiple and unprofitable stocks were the names impacted the most, even the high-quality businesses that are part of our portfolio were affected.

Then, in February and March, the situation in Ukraine deteriorated and impacted some of the then winning positions such as our options on Ryanair and on the Euro Stoxx Banks index.

On the short equity strategy, some of the poor-quality companies' stocks in the portfolio were temporarily pushed higher in sync with supposedly value stocks and in the end the pocket was roughly flat just like merger arbitrage as spreads widened.

The context of this Q1 2022 was very different from Q1 2020 as market indexes simply did not drop enough to warrant significant contribution from our tail risk hedging books and, altogether, the funds ended Q1 with a handicap versus market indexes.

Varenne UCITS

Report of the Board of Directors

Fast forward to the second quarter, equity markets plummeted and with indexes approaching the 20% down mark in June, our tail risk hedging started to kick in along with positive contribution from our fundamental shorts.

Merger arbitrage strategy was positive at the end of May but uncharacteristically suffered from one situation that we will discuss later in the presentation to end the quarter slightly down.

During the first half of the year, all of our teams took advantage of price action to optimize long and short equity portfolios while completing the tail risk hedging arsenal and seizing additional opportunities in the Merger Arbitrage space in order to fund it.

It is also important to remind that, as long biased portfolios, our funds can be, have been and will occasionally be subject to volatility when markets are down in a range of 10 to 20%. After that, either they normalize, or we expect tail risk hedging to kick in as it did in Q1 2020 and as it started to happen at the end of last quarter. The overarching goal of our model is to build 'asymmetry' between long term upside and downside without reducing opportunities, i.e. exposures, at difficult times. Of course this goal simply cannot be achieved without acceptance of some volatility in periods such as the first half of this year or Q4 2018, but those periods have also created the conditions for the great opportunities of the years that followed.

All in all, we remain confident that, in the long run, our model is superior to traditional long / short equity or long only and that is why, without this being any indication of future performance views, we have added over 35 million dollars of our own money to the funds to date this year.

LONG EQUITY

Main contributors in H1 2022

The main contributors in the concentrated Long Equity book have been the following:

VARENNE VALEUR		VARENNE GLOBAL	
Salmar	0.70%	Salmar	0.68%
Dollar General	0.29%	Dollar General	0.24%
LVMH	-0.70%	Nvidia	-1.00%
Applied Materials	-0.91%	Greggs	-1.18%
Alphabet	-1.00%	EssilorLuxottica	-1.21%
Greggs	-1.02%	KLA	-1.23%
KLA	-1.23%	Deutsche Post	-1.24%
EssilorLuxottica	-1.23%	Alphabet	-1.30%
Deutsche Post	-1.25%	Applied Materials	-1.43%
Lam Research	-1.52%	Lam Research	-1.50%
Pandora	-2.27%	Pandora	-2.28%
JD Sports	-2.78%	JD Sports	-2.64%

Source : Varenne Capital Partners – Exposures, attributions and contributions are estimated, gross. All figures are believed to be correct to the best of our knowledge, but no assurance can be given on their accuracy or completeness. The information included in the attribution and contribution estimates herein have been obtained from sources believed to be reliable, however these sources cannot be warranted as to their accuracy or completeness. Readers should be aware that exposure, attribution, and contribution calculations are indicative and entail significant assumptions and approximations.

We will have a focus on some of the main contributors of H1 2022

First JD Sports, which was the most significant negative contributor in the period. JD is an international sports and athleisure retailer, with over 3000 stores in 29 countries. They have grown rapidly through a combination of acquisitions and organic expansion and are one of the few global-scale preferred partners to brands like Nike & Adidas, which gives them access to restricted and exclusive product, which is highly prized by the consumer. JD reported strong results in Fiscal 22, with revenue up almost 40% and operating income excluding exceptional items up over 110% versus the prior year. For the first 14 weeks of this fiscal year, fiscal 23, like for like sales up are up 5% even against such a strong base.

Varenne UCITS

Report of the Board of Directors

Nevertheless, JD's stock suffered during the period due to market fears around US and European consumer discretionary retail.

But there were also a few company-specific factors that caused a delay in the release of the financial statements. Though there was no issue with the underlying accounting, they were published with some delay due to an ongoing antitrust issue. The UK competition and markets authority had indicated that JD had to divest a previously acquired company called Footasylum, and this caused uncertainty regarding its valuation. The complexity of integrating all of JD's recent acquisitions after an extraordinary expansion period also added to this hold-up.

The Board decided it would be necessary to reinforce the governance controls and therefore to accelerate the previously proposed separation of Chairman and CEO roles. Both positions were formerly held by Peter Cowgill. Given his leadership style, Cowgill felt that he would be unsuited to this separation of responsibilities and stepped down on May 25.

We will assess the quality of the CEO once they are appointed according to our methodology, but for the moment we remain confident in the quality of the business due to a few factors. Firstly, despite Cowgill's departure, all the rest of the key management team remain in place, including CFO, Head of US and Head of brand partnerships, who together have literally decades of experience within JD and have grown the company to its current global scale. Additionally, the business benefits from the stability of a long-term majority shareholder called the Pentland Group, and they remain influential on the Board. Given that the underlying business remains strong, the current valuation appears undemanding, and we remain confident on their long-term prospects.

JD SPORTS – A/A



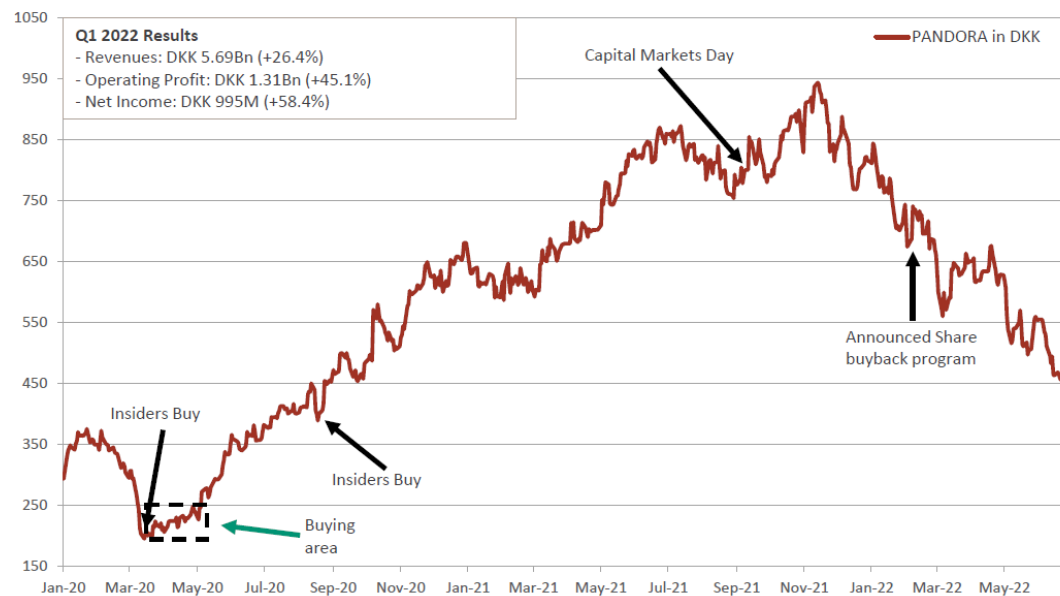
Pandora is the largest jewellery company in the world by volume. It sells 85 million pieces every year through a retail network of 2,400 stores in over 100 countries. Pandora was also affected by negative market sentiment on the consumer discretionary industry, even despite the core business performing very well.

With that initial turnaround now completed, the management team held a Capital Markets Day in September, where they unveiled their blueprint for the next few years, which they call the 'Phoenix Strategy'. Since then, despite worsening consumer sentiment and a very tough prior year comparison, Pandora reported strong results and Q1 revenues were up a full 19% versus 2019 and the company was actually able to raise guidance for the full year. During a visit to their Copenhagen headquarters in the spring, we spent some time with the CFO and the management team, that discussion confirmed our positive view on the company's long-term positioning and value creation potential.

Varenne UCITS

Report of the Board of Directors

PANDORA – TR



Source: Bloomberg – data as of June 30th, 2022

Salmar was our best contributor on the period. Salmar is one of the largest and most efficient producers of Atlantic salmon in the world. It's based in Norway but has production licenses in Iceland, Scotland and the Shetland and Orkney islands too. Thanks to the long-term operational focus of CEO Gustav Witzoe and his management team, Salmar has vertically integrated operations across the whole of the salmon life cycle and sales cycle.

Both wild and farmed salmon are only able to thrive in a small number of locations worldwide. Governments then strictly regulate the volumes of salmon that can be farmed in those biologically viable areas. Salmar has only chosen to farm in areas with very good biological performance, which represents a clear relative costing advantage versus peers who farm in more difficult areas.

So global supply is strictly constrained, but global demand is projected to increase by 7% annually. This translates into clear pricing power for salmon as an overall category, and we have seen an impressive price development since we initiated our position.

The company reported strong Q1 results, with revenues up 47% and net income up 51% year on year, benefiting from that price performance and strong operational execution. The management team has successfully scaled Salmar to the world's second largest salmon producer through the ambitious recent acquisition of NTS. The visual below just gives an idea of the synergies in terms of license location, production assets, and offshore technology between Salmar and NTS.

FARMING				Aquaservice
	Central Norway	Northern Norway	Iceland	Offshore
Salmar	<p>Volume 2022E 117,000 tons</p>	<p>Volume 2022E 58,000 tons</p>	<p>Volume 2022E 16,000 tons</p>	<p>Ambition for 150,000 tons within 2030 Ocean Farm 1 in operation</p>
NTS	<p>Volume 2022E¹ 34,800 tons</p>	<p>Volume 2022E¹ 35,000 tons</p>	<p>Volume 2022E¹ 13,000 tons</p>	<p>Development project Arctic Offshore Farming¹ Largest aquaservice provider in Norway¹</p>

Source: Salmar – Investor Presentation Q1 2021

Varenne UCITS

Report of the Board of Directors

We also recently saw a reinforcement of the management team, with new C-level hire from Bakkafrøst, a Faroese salmon producer, and Aker, a Norwegian industrial company with significant maritime assets, which will further support Salmar's offshore development. Gustav Witzoe, who founded the company in 1991, remains the majority shareholder and Chairman of the Board. Overall, the supply & demand imbalance in a tightly regulated industry should support salmon prices in the long term. However, we are also positive on Salmar's industry-leading innovation in offshore farming in the years to come.

SALMAR – A/B



Key Portfolio Activity in H1 2022

	ACHAT	RENFORCEMENT	VENTE	ALLEGEMENT
Nike	X	X		
JD Sports		X		
LAM Research			X	
EssilorLuxottica		X		
Applied Materials			X	
Deutsche Post			X	
Starbucks (Call options)	X			

Source: Varenne Capital Partners

H1 has been an active period as we took advantage of very significant price drops to increase Nike, JD sports and EssilorLuxottica. We also took profits on Lam Research and Applied Materials to focus on KLA.

During the second quarter, we exited Deutsche Post and added a new position on Starbucks through options.

SHORT EQUITY

As a reminder, we short for performance purposes and not for hedging the longs.

We really look for companies that will likely face what we call a capital event within an 18-to-24-month time horizon and that can be recapitalizations, restructurings or even bankruptcies and are happy to stay on the side-lines if conditions are not met. The goal here is to be able to produce uncorrelated returns in adverse economic or credit conditions, which, for the first time in over a decade, is something we are likely to be facing soon.

If we look back, over the last couple of years we were quick to recognize that the conditions for our kind of shorting changed dramatically with Central Banks' reactions to Covid, when we reduced exposures as early as April 2020 and realized that the impact of monetary policies would be extremely damaging for Short strategies, as they did.

Varenne UCITS

Report of the Board of Directors

Then, we stayed put for several quarters as our short opportunity indicators remained negative and, with market indicators stabilizing at the end of 2021, we started to selectively increase our exposure by focusing on idiosyncratic situations.

Now, with an environment finally conducive and contribution positive at respectively 0.96% and 1.34% in Q2, the team sees many opportunities and we anticipate increased exposure for Q3 and beyond.

MERGER ARBITRAGE

In Merger Arbitrage, our focus is exclusively on announced and friendly deals, and we are very flexible on the overall exposure as we really act as a liquidity provider to the market with no obligation to be in play all the time.

The role of Merger Arbitrage in our construct is to fund whole or part of the 1.5% of AUM annual budget for Tail Risk Hedging.

The advantage of relying on merger arbitrage for that purpose is that we can employ efficiently our balance sheet on what is effectively a 'fund within the fund', with exposure ranging from 0 to 100%, that sits on top of Longs and Shorts with very low risk as the mandate is to underwrite only the safest situations.

Merger Arbitrage 2022 Positions

STATUS	TARGET		BIDDER	DEAL TYPE	RATING
Open	Change Healthcare Inc	USA	UnitedHealth Group	Cash for Stock	Very Likely
Closed	Magellan Health Inc	USA	Centene Corp	Cash for Stock	Very Likely
Closed	Nuance Communications Inc	USA	Microsoft Corp	Cash for Stock	Very Likely
Open	PNM Resources Inc	USA	Avangrid Inc	Cash for Stock	Very Likely
Open	Welbilt Inc	USA	Aligroup Srl	Cash for Stock	Very Likely
Open	Avast PLC	UK	NortonLifeLock Inc	Mixed Offer	Very Likely
Closed	Zardoya Otis SA	Spain	Otis Worldwide Corp	Cash for Stock	Quasi-Certain
Closed	McAfee Corp	USA	Consortium	Cash for Stock	Very Likely
Closed	CyrusOne Inc	USA	Consortium	Cash for Stock	Very Likely
Closed	Mimecast Ltd	USA	Permira Holdings LLP	Cash for Stock	Very Likely
Closed	Cerner Corp	USA	Oracle Corp	Cash for Stock	Very Likely
Closed	Vonage Holdings Corp	USA	Telefonaktiebolaget LM Ericsson	Cash for Stock	Very Likely
Closed	SPX FLOW Inc	USA	Lone Star Global Acquisitions Ltd	Cash for Stock	Very Likely
Open	Vifor Pharma AG	Switzerland	CSL Ltd	Cash for Stock	Very Likely
Open	CMC Materials Inc	USA	Entegris Inc	Mixed Offer	Very Likely
Open	Meritor Inc	USA	Cummins Inc	Cash for Stock	Very Likely
Open	Cornerstone Building Brands Inc	USA	Clayton Dubilier & Rice LLC	Cash for Stock	Very Likely
Open	Atlantia SpA	Italy	Consortium	Cash for Stock	Very Likely
Open	LHC Group	USA	UnitedHealth Group	Cash for Stock	Very Likely
Closed	Anaplan	USA	Thoma Bravo	Cash for Stock	Very Likely
Open	Covetrus	USA	Consortium	Cash for Stock	Very Likely
Open	Terminix	USA	Rentokil Initial PLC	Mixed Offer	Very Likely
Open	Siemens Gamesa	Spain	Siemens Energy	Cash for Stock	Very Likely
Open	HomeServe PLC	UK	Brookfield AM	Cash for Stock	Very Likely

Source: Varenne Capital Partners.

To give some extra colour about the H1 2022 contribution, we can have a look at the largest contributors of the strategy, starting as always with detractors first:

- Avast, a consumer cybersecurity company, was the largest negative contributor to the fund performance with an unusually large impact of 70bps. The company was due to be acquired by NortonLifeLock with a closing in March but, after obtaining antitrust clearances in multiple jurisdictions without difficulty, the UK unexpectedly took a tougher stance on the deal by referring it to an in-depth review. In early May, the CMA published its issue statement outlining its own market definition and analysis of the deal. On the basis of this report, and after having discussed with several experts, we came to the conclusion that the outcome of the antitrust investigation was not sufficiently certain to maintain our position and exited in an orderly way. The remainder of the negative contribution mainly comes from mark-to-market impact resulting from June volatility and we expect this to reverse in the coming months.
- Now, on our positive contributors we have Change Healthcare with 25bps, PNM Resources with 19bps and Cerner with 11bps. As discussed during our January and April investor calls, we expected the negative mark-to-market performance of PNM Resources and Change Healthcare to reverse during the year. In April, Change Healthcare signed an amended merger

Varenne UCITS

Report of the Board of Directors

agreement with UnitedHealth with more favourable terms. We are now waiting for the trial brought by the Department of Justice (DoJ) to begin in court around early August, and expect the DoJ's decision to block the deal to be overturned.

In terms of portfolio activity, we added 7 new deals to the portfolio (in green above), mainly cash offers, which are expected to contribute positively to the second half of the year.

In terms of outlook for the remainder of the year, we remain cautiously optimistic with spreads widening but activity slowing down. We anticipate levels of exposure slightly below H1 for the remainder of the year but of course a lot will depend on spreads, and we will remain selective on the quality of the opportunities that we pursue. Should the right ones present themselves, we have plenty of dry powder and the team will be quick to deploy capital and make sure that we end the year on a positive note.

TAIL RISK HEDGING

In Tail Risk Hedging (TRH) the objective is to protect the portfolio from market risk that goes beyond a correction, we call that 'residual risk'.

So, we define residual risks as the impact from an event leading the S&P 500 down 20% or more from its 52-week peak. On TRH we create an arsenal of risks-reward asymmetric trades that we build within the annual budget of 1.5% of AUM, and as discussed this is partly or wholly funded by Merger Arbitrage. We like to think of them as several lines of defense that can kick in, one after the other, pretty much like a series of parachutes.

We employ two family of hedges:

- The first is directly targeted at equity market risk and is always there as we typically employ short to mid-dated non-vanilla optional strategies for which we seek significant discount to equivalent vanilla ones, to reduce carrying costs. On this family we limit to short / mid-dated trades as we must work on market references and they might not be meaningful any more after 12 or 18 months, simply because markets can go up or down significantly in that lapse of time.
- As a complement to the first family, we can hedge what we call root causes of market risk. On root causes of market risk, the interest is that we can go longer dated, up to five years and we can employ instruments or trades on any kind of assets, being that credit, interest rates, commodities, or currencies on which we really seek to assemble a set of instruments that allow us to have convexity in case of market shocks.

So, to recap, here you can find our current positions on the two families of hedges.

STATUS	NAME	RATIONALE	TARGET NOTIONAL		EXPIRY
			Valeur	Global	
Open	Put APS SPX, SX5E	Severe fall in equity markets	40%	60%	Dec 2022
Open	Put Dual Digital SX5E & EURUSD	Severe fall in equity markets	1.8%	2.8%	Nov 22/Dec 22/Jan 23
Open	CDS Europe SubFin (S27-30-33-34)	Major economic or financial crisis	15%	20%	Dec 23/Jun 25/Dec 25
Open	Put BCOM Index	Major economic or financial crisis	13%	20%	Mar 2023
Open	Call Spread EUR/CHF (Short)	Major economic or financial crisis	30%	30%	Sep 2022
Open	Put Spread EUR/CHF (Long)	Major economic or financial crisis			Dec 2022

We believe that this is a comprehensive arsenal spanning equities, currencies, commodities and credit granted by circumstances that are particularly treacherous. We believe that central banks find themselves in a corner and cannot sustain economies and markets as they have done for decades without risking losing their war on inflation. Unfortunately, the only lever they can pull is suppressing demand severely at a time when inflationary pressures are largely supply sided. So, the risk of a significant slowdown is right in front of us and the Fed Put might not help for quite some time. Of course, there will be opportunities even in such an environment and our teams stand ready to take advantage of them.

Varenne UCITS

Combined financial statements

Varenne UCITS

Combined statement of net assets as at 30/06/22

	<i>Expressed in EUR</i>
Assets	2,244,036,205.69
Securities portfolio at market value	1,696,390,854.83
<i>Cost price</i>	<i>1,882,800,603.78</i>
Options (long position) at market value	204,202,068.10
<i>Options purchased at cost</i>	<i>148,394,669.86</i>
Cash at banks and liquidities	327,947,488.35
Receivable for investments sold	2,155,236.20
Receivable on subscriptions	548,607.47
Receivable on CFDs	9,756.94
Net unrealised appreciation on CFDs	2,747,813.60
Net unrealised appreciation on swaps	8,325,001.40
Dividends receivable, net	1,506,723.06
Interests receivable, net	31,633.52
Other assets	171,022.22
Liabilities	164,233,176.05
Options (short position) at market value	104,201,924.45
<i>Options sold at cost</i>	<i>102,024,915.78</i>
Bank overdrafts	37,553,810.12
Payable on investments purchased	8,381,468.35
Payable on redemptions	3,446,083.18
Net unrealised depreciation on forward foreign exchange contracts	1,183,651.91
Net unrealised depreciation on CFDs	3,932,052.02
Management fees payable	2,949,447.66
Dividends payable, net	84,269.93
Interests payable, net	943,340.53
Other liabilities	1,557,127.90
Net asset value	2,079,803,029.64

Varenne UCITS

Combined statement of operations and changes in net assets for the period ended 30/06/22

Expressed in EUR

Income	14,635,135.29
Dividends on securities portfolio, net	9,752,671.87
Dividends received on CFDs	3,618,959.39
Interests on money market instruments, net	31,633.52
Interests received on CFDs	389,461.23
Interests received on swaps	729,895.66
Bank interests on cash accounts	97,652.52
Other income	14,861.10
Expenses	18,287,572.62
Management fees	8,650,578.91
Depositary and sub-depositary fees	54,696.62
Administration fees	110,662.33
Domiciliary fees	5,106.73
Amortisation of formation expenses	3,345.69
Audit fees	14,585.59
Legal fees	9,088.74
Transaction fees	1,071,231.06
Directors fees	9,572.59
Subscription tax ("Taxe d'abonnement")	297,728.57
Interests paid on bank overdraft	632,426.91
Dividends paid on CFDs	394,441.24
Interests paid on CFDs	4,530,503.64
Interests paid on swaps	2,485,139.13
Banking fees	3,867.95
Other expenses	14,596.92
Net income / (loss) from investments	-3,652,437.33
Net realised profit / (loss) on:	
- sales of investment securities	-38,063,580.16
- options	-28,265,850.85
- forward foreign exchange contracts	-14,867,435.34
- financial futures	-3,159,881.11
- CFDs	-32,490,344.32
- swaps	53,438,019.12
- foreign exchange	7,308,283.06
Net realised profit / (loss)	-59,753,226.93
Movement in net unrealised appreciation / (depreciation) on:	
- investments	-186,409,748.95
- options	53,630,389.57
- forward foreign exchange contracts	-1,183,651.91
- CFDs	-1,184,238.42
- swaps	8,325,001.40
Net increase / (decrease) in net assets as a result of operations	-186,575,475.24
Subscription of capitalisation shares	2,392,596,561.00
Redemptions of capitalisation shares	-126,218,056.12
Net increase / (decrease) in net assets	2,079,803,029.64
Reevaluation of opening combined NAV	-29,999.16
Net assets at the beginning of the period	29,999.16

Varenne UCITS

Combined statement of operations and changes in net assets for the period ended 30/06/22

Expressed in EUR

Net assets at the end of the period

2,079,803,029.64

**Varenne UCITS - VARENNE GLOBAL (launched
on 14/02/22)**

Varenne UCITS - VARENNE GLOBAL (launched on 14/02/22)

Statement of net assets as at 30/06/22

Expressed in EUR

Assets	492,164,504.27
Securities portfolio at market value	333,252,274.51
<i>Cost price</i>	362,985,734.28
Options (long position) at market value	61,981,969.49
<i>Options purchased at cost</i>	39,936,877.76
Cash at banks and liquidities	88,837,324.99
Receivable for investments sold	2,074,880.31
Receivable on subscriptions	58,758.64
Net unrealised appreciation on CFDs	2,747,813.60
Net unrealised appreciation on swaps	2,962,311.83
Dividends receivable, net	197,698.42
Interests receivable, net	31,633.52
Other assets	19,838.96
Liabilities	56,339,114.31
Options (short position) at market value	32,367,651.36
<i>Options sold at cost</i>	29,847,274.21
Bank overdrafts	18,545,346.49
Payable on investments purchased	3,293,515.63
Payable on redemptions	332,580.27
Net unrealised depreciation on forward foreign exchange contracts	708,434.16
Management fees payable	655,796.98
Dividends payable, net	22,207.19
Interests payable, net	297,970.97
Other liabilities	115,611.26
Net asset value	435,825,389.96

Varenne UCITS - VARENNE GLOBAL (launched on 14/02/22)

Statement of operations and changes in net assets from 01/01/22 to 30/06/22

Expressed in EUR

Income	5,399,698.00
Dividends on securities portfolio, net	3,099,181.80
Dividends received on CFDs	1,579,489.45
Interests on money market instruments, net	31,633.52
Interests received on CFDs	372,224.33
Interests received on swaps	269,569.78
Bank interests on cash accounts	45,946.22
Other income	1,652.90
Expenses	7,752,926.26
Management fees	3,334,125.66
Depositary and sub-depositary fees	21,787.27
Administration fees	55,842.07
Domiciliary fees	2,285.84
Amortisation of formation expenses	1,210.44
Audit fees	4,300.46
Legal fees	3,603.80
Transaction fees	451,072.03
Directors fees	3,275.16
Subscription tax ("Taxe d'abonnement")	106,149.56
Interests paid on bank overdraft	395,063.13
Dividends paid on CFDs	187,635.60
Interests paid on CFDs	2,096,720.76
Interests paid on swaps	1,081,258.48
Banking fees	3,810.00
Other expenses	4,786.00
Net income / (loss) from investments	-2,353,228.26
Net realised profit / (loss) on:	
- sales of investment securities	-19,692,559.90
- options	-16,751,456.69
- forward foreign exchange contracts	-9,385,149.70
- financial futures	-3,159,881.11
- CFDs	-31,659,725.39
- swaps	99,884.04
- foreign exchange	3,814,940.40
Net realised profit / (loss)	-79,087,176.61
Movement in net unrealised appreciation / (depreciation) on:	
- investments	-29,733,459.77
- options	19,524,714.58
- forward foreign exchange contracts	-708,434.16
- CFDs	2,747,813.60
- swaps	2,962,311.83
Net increase / (decrease) in net assets as a result of operations	-84,294,230.53
Subscriptions of capitalisation shares	581,551,785.88
Redemptions of capitalisation shares	-61,432,165.39
Net increase / (decrease) in net assets	435,825,389.96
Net assets at the beginning of the period	-
Net assets at the end of the period	435,825,389.96

Varenne UCITS - VARENNE GLOBAL (launched on 14/02/22)

Statistics

		30/06/22
Total Net Assets	EUR	435,825,389.96
Share Class A - EUR		
Number of shares		1,765,104.324
Net asset value per share	EUR	194.13
Share Class I - EUR		
Number of shares		40,580.768
Net asset value per share	EUR	1,394.27
Share Class A - CHF		
Number of shares		27,446.623
Net asset value per share	CHF	221.98
Share Class A - USD		
Number of shares		5,600.946
Net asset value per share	USD	278.23
Share Class P - EUR		
Number of shares		219,476.541
Net asset value per share	EUR	119.64
Share Class P - CHF		
Number of shares		24,141.553
Net asset value per share	CHF	113.69

Varenne UCITS - VARENNE GLOBAL (launched on 14/02/22)

Changes in number of shares outstanding from 01/01/22 to 30/06/22

	Shares outstanding as at 01/01/22	Shares issued	Shares redeemed	Shares outstanding as at 30/06/22
Share Class A - EUR	0.000	1,958,896.870	193,792.546	1,765,104.324
Share Class I - EUR	0.000	47,168.949	6,588.181	40,580.768
Share Class A - CHF	0.000	30,367.607	2,920.984	27,446.623
Share Class A - USD	0.000	6,639.290	1,038.344	5,600.946
Share Class P - EUR	0.000	298,174.791	78,698.250	219,476.541
Share Class P - CHF	0.000	28,073.048	3,931.495	24,141.553

Varenne UCITS - VARENNE GLOBAL (launched on 14/02/22)

Securities portfolio as at 30/06/22

Denomination	Currency	Quantity	Market (in EUR)	% of net assets
Transferable securities admitted to an official stock exchange listing and/or dealt in on another regulated market			279,953,770.21	64.24
Shares			279,953,770.21	64.24
Denmark			42,211,927.73	9.69
NOVO NORDISK	DKK	242,402	25,659,249.04	5.89
PANDORA	DKK	275,692	16,552,678.69	3.80
France			56,619,798.60	12.99
CHRISTIAN DIOR	EUR	6,886	3,897,476.00	0.89
ESSILORLUXOTTICA SA	EUR	152,620	21,809,398.00	5.00
KERING	EUR	26,105	12,794,060.50	2.94
LDC SA	EUR	33,796	3,014,603.20	0.69
LVMH	EUR	25,921	15,078,245.70	3.46
TARKETT SA	EUR	2,098	26,015.20	0.01
Germany			27,389,447.43	6.28
BAYER NAMEN AKT	EUR	203,000	11,514,160.00	2.64
BMW	EUR	170,000	12,488,200.00	2.87
DAIMLER TRUCK HOLDING AG	EUR	135,973	3,387,087.43	0.78
Italy			9,263,303.64	2.13
ATLANTIA SPA	EUR	167,188	3,741,667.44	0.86
SESA	EUR	45,483	5,521,636.20	1.27
Netherlands			19,913,166.00	4.57
ADYEN	EUR	5,400	7,495,200.00	1.72
UNIVERSAL MUSIC GROU	EUR	649,000	12,417,966.00	2.85
Norway			25,965,590.46	5.96
SALMAR	NOK	387,281	25,965,590.46	5.96
United Kingdom			18,443,838.10	4.23
GREGGS PLC	GBP	358,357	7,526,829.18	1.73
JD SPORTS FASHION PLC	GBP	8,143,294	10,917,008.92	2.50
United States of America			80,146,698.25	18.39
ALPHABET INC	USD	10,471	21,826,994.56	5.01
DOLLAR GENERAL	USD	113,440	26,632,276.63	6.11
KLA CORPORATION	USD	72,361	22,085,176.60	5.07
NIKE INC	USD	74,275	7,260,897.22	1.67
WARNER BROS DISCOVE	USD	182,397	2,341,353.24	0.54
Money market instruments			19,880,004.48	4.56
Commercial papers & certificates of deposit debt claims			19,880,004.48	4.56
Spain			19,880,004.48	4.56
SACYR SA ZCP 310123	EUR	20,000,000	19,880,004.48	4.56
Undertakings for Collective Investment			33,418,499.82	7.67
Shares/Units in investment funds			33,418,499.82	7.67
France			27,252,567.55	6.25
OSTRUM SRI 12-18 M FCP I	EUR	1,415	14,303,300.33	3.28
SWISS LIFE FUNDS F BOND 6M FCP I	EUR	1,227	12,949,267.22	2.97
Luxembourg			6,165,932.27	1.41
DPAM L BONDS EUR SHORT TERM CLASS B EUR	EUR	20,996	2,055,496.65	0.47
PLACEURO DOM OPPORTUNITES 1-3 C CAP	EUR	3,982	4,110,435.62	0.94
Total securities portfolio			333,252,274.51	76.46

**Varenne UCITS - VARENNE VALEUR (launched
on 25/04/22)**

Varenne UCITS - VARENNE VALEUR (launched on 25/04/22)

Statement of net assets as at 30/06/22

	<i>Expressed in EUR</i>
Assets	1,751,871,701.42
Securities portfolio at market value	1,363,138,580.32
<i>Cost price</i>	<i>1,519,814,869.50</i>
Options (long position) at market value	142,220,098.61
<i>Options purchased at cost</i>	<i>108,457,792.10</i>
Cash at banks and liquidities	239,110,163.36
Receivable for investments sold	80,355.89
Receivable on subscriptions	489,848.83
Receivable on CFDs	9,756.94
Net unrealised appreciation on swaps	5,362,689.57
Dividends receivable, net	1,309,024.64
Other assets	151,183.26
Liabilities	107,894,061.74
Options (short position) at market value	71,834,273.09
<i>Options sold at cost</i>	<i>72,177,641.57</i>
Bank overdrafts	19,008,463.63
Payable on investments purchased	5,087,952.72
Payable on redemptions	3,113,502.91
Net unrealised depreciation on forward foreign exchange contracts	475,217.75
Net unrealised depreciation on CFDs	3,932,052.02
Management fees payable	2,293,650.68
Dividends payable, net	62,062.74
Interests payable, net	645,369.56
Other liabilities	1,441,516.64
Net asset value	1,643,977,639.68

Varenne UCITS - VARENNE VALEUR (launched on 25/04/22)

Statement of operations and changes in net assets from 01/01/22 to 30/06/22

Expressed in EUR

Income	9,235,437.29
Dividends on securities portfolio, net	6,653,490.07
Dividends received on CFDs	2,039,469.94
Interests received on CFDs	17,236.90
Interests received on swaps	460,325.88
Bank interests on cash accounts	51,706.30
Other income	13,208.20
Expenses	10,534,646.36
Management fees	5,316,453.25
Depositary and sub-depositary fees	32,909.35
Administration fees	54,820.26
Domiciliary fees	2,820.89
Amortisation of formation expenses	2,135.25
Audit fees	10,285.13
Legal fees	5,484.94
Transaction fees	620,159.03
Directors fees	6,297.43
Subscription tax ("Taxe d'abonnement")	191,579.01
Interests paid on bank overdraft	237,363.78
Dividends paid on CFDs	206,805.64
Interests paid on CFDs	2,433,782.88
Interests paid on swaps	1,403,880.65
Banking fees	57.95
Other expenses	9,810.92
Net income / (loss) from investments	-1,299,209.07
Net realised profit / (loss) on:	
- sales of investment securities	-18,371,020.26
- options	-11,514,394.16
- forward foreign exchange contracts	-5,482,285.64
- CFDs	-830,618.93
- swaps	53,338,135.08
- foreign exchange	3,493,342.66
Net realised profit / (loss)	19,333,949.68
Movement in net unrealised appreciation / (depreciation) on:	
- investments	-156,676,289.18
- options	34,105,674.99
- forward foreign exchange contracts	-475,217.75
- CFDs	-3,932,052.02
- swaps	5,362,689.57
Net increase / (decrease) in net assets as a result of operations	-102,281,244.71
Subscriptions of capitalisation shares	1,811,044,775.12
Redemptions of capitalisation shares	-64,785,890.73
Net increase / (decrease) in net assets	1,643,977,639.68
Net assets at the beginning of the period	-
Net assets at the end of the period	1,643,977,639.68

Varenne UCITS - VARENNE VALEUR (launched on 25/04/22)

Statistics

30/06/22

Total Net Assets	EUR	1,643,977,639.68
Share Class A - EUR		
Number of shares		3,759,988.413
Net asset value per share	EUR	366.30
Share Class A - CHF		
Number of shares		9,179.519
Net asset value per share	CHF	442.22
Share Class A - USD		
Number of shares		15,617.417
Net asset value per share	USD	139.45
Share Class I - EUR		
Number of shares		84,089.022
Net asset value per share	EUR	1,577.27
Share Class I - USD		
Number of shares		1,171.551
Net asset value per share	USD	1,233.10
Share Class IT - EUR		
Number of shares		3,993.000
Net asset value per share	EUR	122.77
Share Class P - EUR		
Number of shares		945,462.106
Net asset value per share	EUR	129.75
Share Class P - USD		
Number of shares		8,736.299
Net asset value per share	USD	119.99
Share Class P - GBP		
Number of shares		3,376.256
Net asset value per share	GBP	105.18
Share Class P - CHF		
Number of shares		1,136.000
Net asset value per share	CHF	96.55
Share Class U - EUR		
Number of shares		15,129.648
Net asset value per share	EUR	120.27

Varenne UCITS - VARENNE VALEUR (launched on 25/04/22)

Changes in number of shares outstanding from 01/01/22 to 30/06/22

	Shares outstanding as at 01/01/22	Shares issued	Shares redeemed	Shares outstanding as at 30/06/22
Share Class A -EUR	0.000	3,875,473.525	115,485.112	3,759,988.413
Share Class A - CHF	0.000	9,292.448	112.929	9,179.519
Share Class A - USD	0.000	17,814.223	2,196.806	15,617.417
Share Class I -EUR	0.000	91,210.840	7,121.818	84,089.022
Share Class I - USD	0.000	1,734.985	563.434	1,171.551
Share Class IT - EUR	0.000	3,993.000	0.000	3,993.000
Share Class P - EUR	0.000	1,020,239.436	74,777.330	945,462.106
Share Class P - USD	0.000	9,016.299	280.000	8,736.299
Share Class P - GBP	0.000	3,376.256	0.000	3,376.256
Share Class P - CHF	0.000	1,136.000	0.000	1,136.000
Share Class U - EUR	0.000	15,566.870	437.222	15,129.648

Varenne UCITS - VARENNE VALEUR (launched on 25/04/22)

Securities portfolio as at 30/06/22

Denomination	Currency	Quantity	Market (in EUR)	% of net assets
Transferable securities admitted to an official stock exchange listing and/or dealt in on another regulated market			1,355,040,969.78	82.42
Shares			1,355,040,969.78	82.42
Denmark			142,388,209.43	8.66
NOVO NORDISK	DKK	836,221	88,517,433.41	5.38
PANDORA	DKK	897,241	53,870,776.02	3.28
France			635,340,483.26	38.65
AIR LIQUIDE SA	EUR	157,569	20,187,740.28	1.23
CARREFOUR SA	EUR	1,572,078	26,544,537.03	1.61
CHRISTIAN DIOR	EUR	22,662	12,826,692.00	0.78
CIE DE SAINT-GOBAIN	EUR	1,021,871	41,840,508.10	2.55
DANONE	EUR	931,427	49,607,802.02	3.02
ENGIE	EUR	4,141,369	45,414,252.45	2.76
ESSILORLUXOTTICA SA	EUR	512,257	73,201,525.30	4.45
EUROAPI SASU SHARES	EUR	29,301	441,097.25	0.03
KERING	EUR	97,096	47,586,749.60	2.89
LDC SA	EUR	112,453	10,030,807.60	0.61
LVMH	EUR	85,823	49,923,239.10	3.04
ORANGE	EUR	2,732,029	30,653,365.38	1.86
RENAULT SA	EUR	72,233	1,718,423.07	0.10
SANOFI AVENTIS	EUR	673,924	64,925,838.16	3.95
SCHNEIDER ELECTRIC	EUR	111,794	12,621,542.60	0.77
TOTALENERGIES	EUR	1,781,271	89,722,620.27	5.46
VEOLIA ENV	EUR	839,988	19,563,320.52	1.19
VINCI SA	EUR	370,000	31,435,200.00	1.91
VIVENDI	EUR	731,768	7,095,222.53	0.43
Germany			272,085,936.65	16.55
BMW	EUR	329,000	24,168,340.00	1.47
COVESTRO AG	EUR	1,088,465	35,897,575.70	2.18
DEUTSCHE LUFTHANSA AG REG SHS	EUR	4,145,613	23,066,190.73	1.40
FRESENIUS SE	EUR	1,400,000	40,460,000.00	2.46
KION GROUP AG	EUR	157,658	6,241,680.22	0.38
MERCK KGAA	EUR	290,000	46,690,000.00	2.84
SIEMENS AG REG	EUR	335,000	32,525,150.00	1.98
SIEMENS HEALTHINEERS	EUR	1,300,000	63,037,000.00	3.83
Italy			30,858,546.36	1.88
ATLANTIA SPA	EUR	553,992	12,398,340.96	0.75
SESA	EUR	152,061	18,460,205.40	1.12
Netherlands			103,828,800.00	6.32
ADYEN	EUR	42,600	59,128,800.00	3.60
QIAGEN REGD EUR	EUR	1,000,000	44,700,000.00	2.72
Norway			89,915,614.67	5.47
SALMAR	NOK	1,341,106	89,915,614.67	5.47
United Kingdom			20,549,428.07	1.25
GREGGS PLC	GBP	978,371	20,549,428.07	1.25
United States of America			60,073,951.34	3.65
ALPHABET INC	USD	12,280	25,597,888.76	1.56
NIKE INC	USD	265,231	25,928,172.75	1.58
WARNER BROS DISCOVE	USD	665,901	8,547,889.83	0.52
Undertakings for Collective Investment			8,097,610.54	0.49
Shares/Units in investment funds			8,097,610.54	0.49
France			8,097,610.54	0.49
SWISS LIFE FUNDS F BOND 6M FCP I	EUR	767	8,097,610.54	0.49
Total securities portfolio			1,363,138,580.32	82.92

Varenne UCITS
Notes to the financial statements -
Schedule of derivative instruments

Varenne UCITS

Notes to the financial statements - Schedule of derivative instruments

Options

As at June 30, 2022, the following options contracts were outstanding:

Varenne UCITS - VARENNE GLOBAL (launched on 14/02/22)

Quantity	Denomination	Currency	Commitment (in EUR) (in absolute value)	Market value (in EUR)	Unrealised (in EUR)
Options purchased					
Options on equities					
7,939.00	STARBUCK DEC 85.000 16.12.22 CALL	USD	-	2,847,697.16	754,700.44
3,937.00	NIKE INC OCT 120.00 21.10.22 CALL	USD	-	1,028,074.99	-1,591,412.14
Options on currencies					
138,000,000.00	EUR(P)/CHF(C)OTC DEC 0.99 23.12.22 PUT	EUR	-	2,387,400.00	187,680.00
138,000,000.00	EUR(C)/CHF(P)OTC SEP 1.04 30.09.22 CALL	EUR	-	414,000.00	-57,960.00
Options on index					
6,875.00	EUROSTOXX 50 OTC DEC 4000 16.12.22 PUT	EUR	-	4,106,510.56	2,107,810.56
7,600,000.00	EUROSTOXX 50 OTC NOV 3872 18.11.22 PUT	EUR	-	4,848,040.00	4,347,200.00
3,800,000.00	EUROSTOXX 50 OTC DEC 3796 16.12.22 PUT	EUR	-	2,108,655.42	1,830,495.42
10,739.00	EUROSTOXX 50 OTC DEC 3850 16.12.22 PUT	EUR	-	5,136,463.70	2,558,029.80
1,373.00	EURO STOXX 50 DEC 4000.0 16.12.22 PUT	EUR	-	8,231,135.00	3,054,925.00
29,758.00	EUROSTOXX 50 OTC DEC 3325 16.12.22 CALL	EUR	-	5,799,834.20	19,342.70
871,438.00	BLOOMBERG COMOTC MAR 105.0 16.03.23 PUT	USD	-	4,111,133.26	962,402.85
11,276.00	S&P 500 OTC DEC 4150 16.12.22 PUT	USD	-	4,747,431.67	2,097,186.53
20,974.00	S&P 500 OTC DEC 3575 16.12.22 PUT	USD	-	3,467,413.78	-662,714.46
22,000.00	S&P 500 OTC DEC 4300 16.12.22 PUT	USD	-	11,510,029.21	5,377,964.49
2,300,000.00	EUROSTOXX 50 OTC JAN 3833 20.01.23 PUT	EUR	-	1,238,150.54	1,059,440.54
				61,981,969.49	22,045,091.73
Options issued					
Options on equities					
1,814.00	NIKE INC JUI 85.00 15.07.22 PUT	USD	727,057.52	-34,702.76	296,303.25
372.00	LVMH JUL 460.00 15.07.22 PUT	EUR	393,576.00	-24,180.00	246,636.00
3,937.00	NIKE INC OCT 130.00 21.10.22 CALL	USD	5,118,759.02	-463,198.62	977,227.26
Options on currencies					
138,000,000.00	EUR(C)/CHF(P)OTC SEP 1.02 30.09.22 CALL	EUR	138,000,000.00	-979,800.00	165,600.00
138,000,000.00	EUR(P)/CHF(C)OTC DEC 0.93 23.12.22 PUT	EUR	138,000,000.00	-634,800.00	-74,520.00
Options on index					
11,276.00	S&P 500 OTC DEC 3950 16.12.22 PUT	USD	40,828,298.70	-3,341,357.77	-1,291,116.27
1,373.00	EURO STOXX 50 DEC 3800.0 16.12.22 PUT	EUR	34,627,716.29	-6,068,660.00	-2,128,150.00
22,000.00	S&P 500 OTC DEC 4075 16.12.22 PUT	USD	79,657,908.07	-8,244,938.71	1,908,616.15
6,875.00	EUROSTOXX 50 OTC DEC 3800 16.12.22 PUT	EUR	23,718,062.50	-2,902,131.86	-1,438,856.86
5,952.00	EUROSTOXX 50 OTC DEC 3150 16.12.22 CALL	EUR	20,533,804.80	-763,336.50	3,429.90
20,974.00	S&P 500 OTC DEC 3375 16.12.22 PUT	USD	75,942,952.91	-2,303,406.43	377,147.53
23,806.00	EUROSTOXX 50 OTC DEC 3150 16.12.22 CALL	EUR	82,128,319.40	-3,155,111.81	17,585.23
10,739.00	EUROSTOXX 50 OTC DEC 3650 16.12.22 PUT	EUR	37,048,476.10	-3,452,026.90	-1,580,279.34
				-32,367,651.36	-2,520,377.15

Varenne UCITS

Notes to the financial statements - Schedule of derivative instruments

Options

Varenne UCITS - VARENNE VALEUR (launched on 25/04/22)

Quantity	Denomination	Currency	Commitment (in EUR) (in absolute value)	Market value (in EUR)	Unrealised (in EUR)
Options purchased					
Options on equities					
29,869.00	STARBUCK DEC 85.000 16.12.22 CALL	USD	-	10,713,927.02	2,856,328.69
14,297.00	NIKE INC OCT 120.00 21.10.22 CALL	USD	-	3,733,398.06	-5,779,126.06
Options on currencies					
520,000,000.00	EUR(P)/CHF(C)OTC DEC 0.99 23.12.22 PUT	EUR	-	8,996,000.00	707,200.00
520,000,000.00	EUR(C)/CHF(P)OTC SEP 1.04 30.09.22 CALL	EUR	-	1,560,000.00	-218,400.00
Options on index					
11,150.00	EUROSTOXX 50 OTC DEC 4000 16.12.22 PUT	EUR	-	6,660,013.49	2,094,199.99
3,335.00	EURO STOXX 50 DEC 4000.0 16.12.22 PUT	EUR	-	19,993,325.00	6,459,895.00
47,000.00	S&P 500 OTC DEC 4300 16.12.22 PUT	USD	-	24,589,607.86	10,348,505.36
12,600,000.00	EUROSTOXX 50 OTC DEC 3796 16.12.22 PUT	EUR	-	6,991,857.43	3,845,637.43
5,000,000.00	EUROSTOXX 50 OTC JAN 3833 20.01.23 PUT	EUR	-	2,691,631.60	1,404,131.60
23,295.00	EUROSTOXX 50 OTC DEC 3850 16.12.22 PUT	EUR	-	11,141,998.50	3,452,319.00
50,186.00	EUROSTOXX 50 OTC DEC 3325 16.12.22 PUT	EUR	-	9,781,251.40	32,620.90
12,500,000.00	EUROSTOXX 50 OTC JAN 3888 20.01.23 PUT	EUR	-	6,877,649.00	3,703,899.00
2,116,290.00	BLOOMBERG COMOTC MAR 105.0 16.03.23 PUT	USD	-	9,983,900.41	2,325,577.86
24,459.00	S&P 500 OTC DEC 4150 16.12.22 PUT	USD	-	10,297,750.19	4,098,243.19
49,648.00	S&P 500 OTC DEC 3575 16.12.22 PUT	USD	-	8,207,788.65	-1,568,725.45
				142,220,098.61	33,762,306.51
Options issued					
Options on equities					
6,430.00	NIKE INC JUI 85.00 15.07.22 PUT	USD	2,577,166.39	-123,009.23	1,050,292.09
1,336.00	LVMH JUL 460.00 15.07.22 PUT	EUR	1,413,488.00	-86,840.00	885,768.00
14,297.00	NIKE INC OCT 130.00 21.10.22 CALL	USD	18,588,493.20	-1,682,080.44	3,548,747.31
Options on currencies					
520,000,000.00	EUR(P)/CHF(C)OTC DEC 0.93 23.12.22 PUT	EUR	520,000,000.00	-2,392,000.00	-280,800.00
520,000,000.00	EUR(C)/CHF(P)OTC SEP 1.02 30.09.22 CALL	EUR	520,000,000.00	-3,692,000.00	624,000.00
Options on index					
3,335.00	EURO STOXX 50 DEC 3800.0 16.12.22 PUT	EUR	84,110,294.13	-14,740,700.00	-4,472,235.00
24,459.00	S&P 500 OTC DEC 3950 16.12.22 PUT	USD	88,561,489.71	-7,247,806.83	-2,606,210.23
40,149.00	EUROSTOXX 50 OTC DEC 3150 16.12.22 CALL	EUR	138,510,035.10	-5,321,120.06	29,657.62
10,037.00	EUROSTOXX 50 OTC DEC 3150 16.12.22 PUT	EUR	34,626,646.30	-1,287,232.60	5,783.93
23,295.00	EUROSTOXX 50 OTC DEC 3650 16.12.22 PUT	EUR	80,365,420.50	-7,488,124.28	-1,977,459.08
47,000.00	S&P 500 OTC DEC 4075 16.12.22 PUT	USD	170,178,258.16	-17,614,187.24	4,077,498.15
11,150.00	EUROSTOXX 50 OTC DEC 3800 16.12.22 PUT	EUR	38,466,385.00	-4,706,730.22	-1,434,428.22
49,648.00	S&P 500 OTC DEC 3375 16.12.22 PUT	USD	179,766,173.64	-5,452,442.19	892,753.91
				-71,834,273.09	343,368.48

Commitments related to purchased options are not presented.

Varenne UCITS

Notes to the financial statements - Schedule of derivative instruments

Forward foreign exchange contracts

As at June 30, 2022, the following forward foreign exchange contracts were outstanding:

Varenne UCITS - VARENNE GLOBAL (launched on 14/02/22)

Currency purchased	Quantity purchased	Currency sold	Quantity sold	Maturity date	Unrealised (in EUR)	Counterparty
CHF	8,787,424.59	EUR	8,697,406.43	29/07/22	81,134.29	* CACEIS Bank, Lux. Branch
EUR	111,160,808.41	USD	117,248,307.76	29/07/22	-807,190.47	CACEIS Bank, Lux. Branch
EUR	57,540.11	USD	61,000.00	29/07/22	-713.22	* CACEIS Bank, Lux. Branch
USD	1,634,254.16	EUR	1,542,302.11	29/07/22	18,335.24	* CACEIS Bank, Lux. Branch
					-708,434.16	

Varenne UCITS - VARENNE VALEUR (launched on 25/04/22)

Currency purchased	Quantity purchased	Currency sold	Quantity sold	Maturity date	Unrealised (in EUR)	Counterparty
CHF	4,195,766.26	EUR	4,152,784.94	29/07/22	38,739.50	* CACEIS Bank, Lux. Branch
EUR	78,103,991.40	USD	82,381,200.28	29/07/22	-567,149.50	CACEIS Bank, Lux. Branch
GBP	348,221.13	EUR	403,276.43	29/07/22	761.28	* CACEIS Bank, Lux. Branch
USD	4,673,270.62	EUR	4,410,326.93	29/07/22	52,430.97	* CACEIS Bank, Lux. Branch
					-475,217.75	

The contracts that are marked with * relate specifically to foreign exchange risk hedging of shares expressed in another currency than the reference currency of the related sub-fund.

Varenne UCITS

Notes to the financial statements - Schedule of derivative instruments

Credit Default Swaps ("CDS")

As at June 30, 2022, the following Credit Default Swaps ("CDS") were outstanding:

Varenne UCITS - VARENNE GLOBAL (launched on 14/02/22)

Underlying	Counterparty	Notional	Maturity	Currency	Buy - Sell	Unrealised (in EUR)
CDS Index						
CDX NA IG SERIE 29 V1	Morgan Stanley Bk AG	20,900,000	20/12/22	USD	Buy	-82,346.63
CDX NA IG SERIE 29 V1	Goldman Sachs Intl London	30,000,000	20/12/22	USD	Buy	-109,364.54
ITRAXX SUB FIN S30 V1 5Y MKT	MORGAN STANLEY INTERNATIONAL PLC - LCH	32,600,000	20/12/23	EUR	Buy	257,018.40
ITRAXX SUB FIN S33 V1 5Y MKT	MORGAN STANLEY INTERNATIONAL PLC - LCH	82,100,000	20/06/25	EUR	Buy	2,254,958.60
ITRAXX SUB FIN S34 V1 5Y MKT	Morgan Stanley Bk AG	17,800,000	20/12/25	EUR	Buy	642,046.00
						2,962,311.83

Varenne UCITS - VARENNE VALEUR (launched on 25/04/22)

Underlying	Counterparty	Notional	Maturity	Currency	Buy - Sell	Unrealised (in EUR)
CDS Index						
CDX NA IG SERIE 29 V1	Goldman Sachs Bank Europe SE	92,200,000	20/12/22	USD	Buy	-336,113.67
CDX NA IG SERIE 29 V1	Morgan Stanley Bk AG	84,200,000	20/12/22	USD	Buy	-331,750.54
ITRAXX SUB FIN S30 V1 5Y MKT	MORGAN STANLEY EUROPE SE ICE (FICTIF)	24,200,000	20/12/23	EUR	Buy	190,792.80
ITRAXX SUB FIN S33 V1 5Y MKT	MORGAN STANLEY EUROPE SE ICE (FICTIF)	175,000,000	20/06/25	EUR	Buy	4,806,550.00
ITRAXX SUB FIN S34 V1 5Y MKT	MORGAN STANLEY EUROPE SE ICE (FICTIF)	43,000,000	20/12/25	EUR	Buy	1,551,010.00
						5,880,488.59

Varenne UCITS

Notes to the financial statements - Schedule of derivative instruments

Total Return Swaps ("TRS")

As at June 30, 2022, the following Total Return Swaps ("TRS") were outstanding:

Varenne UCITS - VARENNE VALEUR (launched on 25/04/22)

Nominal	CCY	Maturity	Counterparty	Sub-fund receives	Sub-fund pays	Unrealised amount (in USD)
506,680,621	EUR	25/09/23	Goldman Sachs Bank Europe SE	Euro S/T Rate Compounded	PEA Basket of stocks	-517,799.02
						<u>-517,799.02</u>

Varenne UCITS

Other notes to the financial statements

Varenne UCITS

Other notes to the financial statements

1 - General information

Varenne UCITS (the "SICAV") is a public limited company (*société anonyme*) incorporated on July 30, 2021 under the laws of Luxembourg as an investment company with variable share capital (*société d'investissement à capital variable*). The SICAV is subject to Part I of the law of December 17, 2010.

The SICAV is registered with the Luxembourg Trade and Companies Register under number B257907. The latest version of the Articles of Association was published on the *Recueil électronique des sociétés et associations* (RESA), the central electronic platform of the Grand-Duchy of Luxembourg on August 10, 2021.

The SICAV is a single legal entity incorporated as an umbrella fund comprised of separate sub-funds. Shares in the SICAV are shares in a specific sub-fund. The SICAV may issue shares of different share classes in each sub-fund. Such share classes may each have specific characteristics.

Certain share classes may be reserved to certain categories of investors.

As at June 30, 2022, two sub-funds are active:

- Varenne UCITS - VARENNE GLOBAL (launched on 14/02/22)
- Varenne UCITS - VARENNE VALEUR (launched on 25/04/22)

2 - Principal accounting policies

2.1 - Foreign currency translation

The financial statements have been drawn up in the accounting currency of each Sub-Fund. Assets and liabilities expressed in currencies other than the accounting currency of the Sub-Fund are converted into that currency at the exchange rate prevailing at closing date.

Income and expenses expressed in currencies other than the accounting currency of the Sub-Fund are converted into that currency at the exchange rate prevailing on the transaction date.

The transactions and acquisition costs denominated in foreign currencies are converted into the accounting currency of each Sub-Fund based on the exchange rate in force on the date of the transaction or acquisition.

As at 30 June 2022, the exchange rates used are the following:

1 EUR	=	1.52035	AUD	1 EUR	=	1.34855	CAD	1 EUR	=	1.0009	CHF
1 EUR	=	7.43665	DKK	1 EUR	=	0.8608	GBP	1 EUR	=	8.2036	HKD
1 EUR	=	142.02965	JPY	1 EUR	=	10.32875	NOK	1 EUR	=	10.71315	SEK
1 EUR	=	1.45495	SGD	1 EUR	=	1.04545	USD	1 EUR	=	17.12705	ZAR

3 - Changes in the composition of securities portfolio

Any changes in the composition of the securities portfolio of each sub-fund during the period are available upon request at the registered office of the SICAV.

Additional information

Securities Financing Transactions Regulation (SFTR) Disclosures

The Regulation on Transparency of Securities Financing Transactions and of Reuse (the « SFTR ») entered into force on January 12, 2016 aiming to improve transparency in securities and commodities lending, repurchase transactions, margin loans and certain collateral arrangements. The disclosure requirements of the SFTR include the following details on TRS (Total Return Swap):

Total Return Swap		Varenne UCITS - VARENNE VALEUR	
Amount of assets engaged in each TRS expressed as an absolute amount (in the Sub-Fund currency) and as a proportion of the Sub-Fund's AuM			
Absolute value	507 198 420.20		
% of AuM			
Top 10 counterparties of each type of TRS separately (name of counterparty and gross volume of outstanding transactions)			
Goldman Sachs Bank Europe SE	507 198 420.20		
Aggregate transaction data for each type of TRS separately to be broken down according to the below categories			
Type and quality of collateral			
Cash	100%		
Maturity of the collateral			
Open maturity			
Currency of the collateral			
EUR			
Maturity of TRS			
Less than 3 months			
3 months to 1 year			
More than 1 year	15/09-/2023		
Country in which the counterparty is established			
Germany			
Settlement and clearing			
Bilateral			
Data on reuse of collateral			
Safekeeping of collateral received by the Sub-Fund as part of TRS			
CACEIS and its Sub-Custodian network			
Safekeeping of collateral granted by the sub-fund as part of TRS			
Segregated accounts			
Data on income and costs for each type of TRS			
All returns from TRS will accrue to the sub-fund and are not subject to any returns sharing arrangements with the Investment Manager or any other third parties			
Income and costs of the sub-fund include interests, dividends, realised and change in unrealised on TRS			

There is no reuse of collateral related to TRS transactions, all trades open at year-end have been transacted through bilateral settlement. The sub-fund has CACEIS Bank, Luxembourg Branch as Depositary for collateral received.