

**Annual report including audited financial statements  
for the period from 18th March 2016 (date of incorporation of the  
Fund) to 31st December 2016**

# **ARMONY INVESTMENT FUND**

Société d'Investissement à Capital Variable  
organised under the laws of Luxembourg

R.C.S. Luxembourg B 204 934

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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 and the key investor information document ("KIID") supplemented by the latest annual report and the most recent semi-annual report, if published thereafter.

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**ARMONY INVESTMENT FUND**

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# ARMONY INVESTMENT FUND

## Organisation

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### Registered office

11, rue Aldringen  
L-2960 LUXEMBOURG

### Board of Directors

#### *Chairman*

Josep SARLE GUIU  
Fimarge, Societat Financera D'Inversio, S.A.  
Bonaventura Armengol n°10,  
Bâtiment 1, 5ème étage  
AD500 Andorra la Vella  
ANDORRA

#### *Directors*

Serge D'ORAZIO  
Head of Investment Funds & Global Custody Services  
KBL EUROPEAN PRIVATE BANKERS S.A.  
43, boulevard Royal  
L-2955 LUXEMBOURG

Javier VALLS  
The Directors' Office S.A.  
21st Century Building  
19, rue de Bitbourg  
L-1273 LUXEMBOURG  
(since 16th August 2016)

Rodrigo DE FREITAS-BRANCO  
Independent Director  
59, rue du Verger  
L-2665 LUXEMBOURG  
(until 16th August 2016)

### Management Company

KREDIETRUST LUXEMBOURG S.A.  
11, rue Aldringen  
L-2960 LUXEMBOURG

### Board of Directors of the Management Company

#### *Chairman*

Olivier de JAMBLINNE de MEUX

#### *Director*

Vincent DECALF (since 30th December 2016)  
Rafik FISCHER (until 30th December 2016)  
Franck SARRE (until 30th December 2016)

#### *Managing Director*

Stefan VAN GEYT

### Conducting officers of the Management Company

Aurélien BARON  
Kristel COOLS (since 10th October 2016)  
Stefan VAN GEYT

## ARMONY INVESTMENT FUND

### Organisation (continued)

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**Central Administration Agent  
and Domiciliary Agent**

KREDIETRUST LUXEMBOURG S.A.  
11, rue Aldringen  
L-2960 LUXEMBOURG

**Administration Agent and  
Registrar and Transfer Agent**

EUROPEAN FUND ADMINISTRATION  
2, rue d'Alsace  
L-1017 LUXEMBOURG

**Depository and Paying Agent**

KBL EUROPEAN PRIVATE BANKERS S.A.  
43, boulevard Royal  
L-2955 LUXEMBOURG

**Investment Manager**

GVC Gaesco Gestion SGIIC  
Doctor Ferran, 3  
Planta 1  
08034 BARCELONA  
SPAIN  
(since 1st February 2017)

**Investment Advisor**

Fimarge, Societat Financera D'Inversio, S.A.  
Bonaventura Armengol n°10  
Bâtiment 1, 5ème étage  
AD500 Andorra la Vella  
ANDORRA

**Cabinet de révision agréé**

KPMG Luxembourg, Société coopérative  
39, avenue John F. Kennedy  
L-1855 LUXEMBOURG

## ARMONY INVESTMENT FUND

### General information

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ARMONY INVESTMENT FUND (hereinafter the "Fund") is an open-ended investment company incorporated under the laws of Luxembourg as a Société d'Investment à Capital Variable in accordance with the provisions of the Part I of the amended Law of 17th December 2010 for an unlimited period of time.

The Directive 2014/91/EUR of the European Parliament and of the Council of 23rd July 2014 amending the Directive 2009/65/EC had been transposed by the Law of 10th May 2016 coming into force on 1st June 2016 and amending the amended Law of 17th December 2010.

The Fund was incorporated as a UCITS governed by the provisions of Part I of the amended Law of 17th December 2010, on 18th March 2016, under the name of ARMONY INVESTMENT FUND, and is currently being registered with the Luxembourg Trade and Companies' Register and in the *Mémorial C. Recueil des Sociétés et Associations* with an initial share capital of EUR 31.000.

As from 1st June 2016, publications are made in the "Recueil électronique des sociétés et associations ("RESA")" through the website of "Registre de Commerce et des Sociétés" of Luxembourg.

The Fund is an umbrella fund designed to offer investors access to a variety of investment strategies through a range of separate Sub-Funds.

At the date of the financial statements, the following Sub-Fund is offered:

- ARMONY - AGECA FUND

The Fund has appointed Kredietrust Luxembourg S.A. as its designated Management Company, within the meaning of the amended Law of 17th December 2010.

The financial year of the Fund ends on 31st December in each year.

The first accounting year will end on 31st December 2016. The first audited report will be published as of 31st December 2016 and the first unaudited semi-annual report is published as of 30th June 2016.

The audited annual and unaudited semi-annual reports comprise consolidated financial statements of the Fund expressed in EUR, being the reference currency of the Fund.

The complete prospectus, the KIID, the Articles, the annual reports and unaudited half-yearly reports, as well as the list of the purchases and sales effected by the Fund are available at the Fund's registered office.

# ARMONY INVESTMENT FUND

## Report on activities of the Board of Directors

Dear Shareholders,

For its first period of business, ARMONY INVESTMENT FUND (the "Fund") closed the period ending 31st December 2016 with EUR 28.3 million in assets under management with a return of 2.92%. The Fund was incorporated as a UCITS on 18th March 2016.

### Change in Organisation

Since 1st February 2017, GAESCO GESTION SGIIC is the appointed Investment Manager of the Fund by KREDIETRUST LUXEMBOURG. However, the management fees remain constant as the Board decided to share the fee of 0.5% between GAESCO GESTION SGIIC and Fimarge on their Board Resolution dated 13th January 2017.

We are grateful to the shareholders for their continued business and trust in ARMONY INVESTMENT FUND. We will continue to work relentlessly to serve the shareholders' investment objectives for many years to come.

### **Investment Manager Report**

For the period ended 31st December 2016, ARMONY INVESTMENT FUND, returned 2.92%.

A nearly double-digit gain for stocks obscures some of 2016's troubling features. China's concern, Brexit and the Trump's surprise election were clear pivot points. The new general belief is that Republican government will deliver economic stimulus, less regulation and lower corporate tax. However, this fiscal agenda has the potential to push the debt-to-GDP ratio above 100%, something that some may not be willing to accept, while the economy is essentially at full employment, equities are no longer cheap (trading at 17,1x future price to earnings ratio compared to a 25-year average of 15,9x) and the USD is too high, while Mrs. Yellen is raising rates. No one knows what's going to happen in the coming year, as usual, but what we know is that many things would have to change to lead us to take additional risks, in a context where the EU shows mixed growth signs, and it is facing a clear uncertainty in the financial sector, especially in Italy.

### **Portfolio Trades**

#### Equities:

As far as we are concerned, we took equity positions from a conservative point of view, both regarding sectors and weight. We have been building positions in several companies which meet the following three conditions: Having some very clear niche activities, being managed by long term oriented management teams, and trading with an important fundamental discount. These are companies as Airbus, Axa, Caterpillar, Duerr, Fanuc, MTU Aero Engines, Nidec, or Toyota among many others. Nearly 40% of our equity portfolio comes from non-cyclical business, with high cash conversion ratios, with almost no debt, and mainly family conducted. In that sense, names included in portfolio were Bpost, Dr. Pepper Snapple Group, Medtronic, Oracle, BMW, Ontex Group, Amadeus, Freenet, or Richemont. Our aim is to keep these companies in the portfolio until the fundamental values are reached. Relating to the overall equities exposure, the idea is simply to reduce the stake from these levels as far as prices meet valuations.

## ARMONY INVESTMENT FUND

### Report on activities of the Board of Directors (continued)

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#### Bonds:

We included US Treasuries with maturities ranging from 5 to 10 years, in order to set a certain hedge if a volatility episode comes up. Our credit portfolio was also conservative, always focused on shorter durations and high quality issues with investment grade or almost investment grade ratings, and based on our fundamental analysis.

We will keep our conservative point of view in the quarters ahead, and only discounts will encourage us to risk-on.

Luxembourg,

The Board of Directors

Note: The information in this report represents historical data and is not an indication of future results.



KPMG Luxembourg, Société coopérative  
39, Avenue John F. Kennedy  
L-1855 Luxembourg

Tel.: +352 22 51 51 1  
Fax: +352 22 51 71  
E-mail: info@kpmg.lu  
Internet: www.kpmg.lu

## **Report of the Réviseur d'Entreprises agréé**

To the Shareholders of  
**ARMONY INVESTMENT FUND**

We have audited the accompanying financial statements of ARMONY INVESTMENT FUND and of its sub-fund, which comprise the statement of net assets and the statement of investments and other net assets as at 31st December 2016 and the statement of operations and other changes in net assets for the period from 18th March 2016 (date of incorporation) to 31st December 2016, and a summary of significant accounting policies and other explanatory information.

### **Responsibility of the Board of Directors of the SICAV for the financial statements**

The Board of Directors of the SICAV is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements, and for such internal control as the Board of Directors of the SICAV determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Responsibility of the Réviseur d'Entreprises agréé**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.



## Report of the Réviseur d'Entreprises agréé (continued)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the SICAV, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of ARMONY INVESTMENT FUND and of its sub-fund as of 31st December 2016, and of the results of its operations and changes in its net assets for the period from 18th March 2016 (date of incorporation) to 31st December 2016 in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

### Other information

The Board of Directors of the SICAV is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our report of Réviseur d'Entreprises agréé thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Luxembourg, 26th April 2017

KPMG Luxembourg, Société coopérative  
Cabinet de révision agréé

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## ARMONY INVESTMENT FUND

### Combined statement of net assets (in EUR)

as at 31st December 2016

#### Assets

Securities portfolio at market value	23,333,023.32
Cash at banks	4,827,894.32
Formation expenses, net	10,709.66
Income receivable on portfolio	102,614.24
Prepaid expenses	1,191.80
	<hr/>
Total assets	28,275,433.34

#### Liabilities

Unrealised loss on forward foreign exchange contracts	40,481.56
Expenses payable	46,192.92
	<hr/>
Total liabilities	86,674.48
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Net assets at the end of the period	28,188,758.86

The accompanying notes are an integral part of these financial statements.

## ARMONY INVESTMENT FUND

### Combined statement of operations and other changes in net assets (in EUR)

from 18th March 2016 (date of incorporation) to 31st December 2016

<b><u>Income</u></b>	
Dividends, net	93,196.19
Interest on bonds and other debt securities, net	170,196.81
Total income	263,393.00
<b><u>Expenses</u></b>	
Advisory fees	104,659.93
Management fees	23,683.68
Depositary fees	5,655.83
Banking charges and other fees	3,755.85
Transaction fees	20,983.06
Central administration costs	21,464.50
Professional fees	13,127.00
Other administration costs	9,290.03
Subscription duty ("taxe d'abonnement")	9,761.66
Bank interest paid	17,844.33
Other expenses	14,461.74
Total expenses	244,687.61
Net investment income	18,705.39
<b><u>Net realised gain/(loss)</u></b>	
- on securities portfolio	146,425.65
- on forward foreign exchange contracts	-236,307.88
- on foreign exchange	-12,370.27
Realised result	-83,547.11
<b><u>Net variation of the unrealised gain/(loss)</u></b>	
- on securities portfolio	862,194.24
- on forward foreign exchange contracts	-40,481.56
Result of operations	738,165.57
Subscriptions	29,402,249.84
Redemptions	-1,951,656.55
Total changes in net assets	28,188,758.86
Total net assets at the beginning of the period	-
Total net assets at the end of the period	28,188,758.86

The accompanying notes are an integral part of these financial statements.

## ARMONY - AGECA FUND

### Statement of net assets (in EUR)

as at 31st December 2016

#### Assets

Securities portfolio at market value	23,333,023.32
Cash at banks	4,827,894.32
Formation expenses, net	10,709.66
Income receivable on portfolio	102,614.24
Prepaid expenses	1,191.80
Total assets	<u>28,275,433.34</u>

#### Liabilities

Unrealised loss on forward foreign exchange contracts	40,481.56
Expenses payable	46,192.92
Total liabilities	<u>86,674.48</u>

Net assets at the end of the period 28,188,758.86

Class A shares outstanding	274,270.491
Net asset value per class A share	102.78

The accompanying notes are an integral part of these financial statements.

## ARMONY - AGECA FUND

### Statement of operations and other changes in net assets (in EUR)

from 18th March 2016 (date of incorporation) to 31st December 2016

<b><u>Income</u></b>	
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<b><u>Net variation of the unrealised gain/(loss)</u></b>	
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Result of operations	738,165.57
Subscriptions	29,402,249.84
Redemptions	-1,951,656.55
Total changes in net assets	28,188,758.86
Total net assets at the end of the period	28,188,758.86

The accompanying notes are an integral part of these financial statements.

## ARMONY - AGECA FUND

### Statistical information (in EUR)

as at 31st December 2016

#### Total net assets

- as at 31.12.2016 28,188,758.86

#### Number of class A shares

- outstanding at the beginning of the period 0.000

- issued 294,185.049

- redeemed -19,914.558

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- outstanding at the end of the period 274,270.491

#### Net asset value per class A share

- as at 31.12.2016 102.78

The accompanying notes are an integral part of these financial statements.

## ARMONY - AGECA FUND

### Statement of investments and other net assets (in EUR)

as at 31st December 2016

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>Investments in securities</u></b>					
<b><u>Transferable securities admitted to an official stock exchange listing</u></b>					
<b>Shares</b>					
CHF	5,181	Cie Financière Richemont SA	292,676.57	326,083.32	1.16
EUR	2,250	Air Liquide SA	210,819.42	237,712.50	0.84
EUR	3,600	Airbus Gr SE	197,366.22	226,224.00	0.80
EUR	4,208	Amadeus IT Group SA A	182,345.58	181,659.36	0.64
EUR	9,400	Axa SA	205,248.32	225,459.00	0.80
EUR	48,551	Banco Santander SA	199,403.74	240,764.41	0.85
EUR	2,000	Bayer AG Reg	178,345.49	198,260.00	0.70
EUR	3,903	Bayerische Motorenwerke AG	288,704.48	346,391.25	1.23
EUR	6,000	Boskalis Westminster NV	184,672.45	197,940.00	0.70
EUR	11,344	Bpost SA	266,737.30	255,240.00	0.91
EUR	70,818	CTT Correios de Portugal SA	505,368.55	456,422.01	1.62
EUR	3,000	Duerr AG	199,856.31	229,050.00	0.81
EUR	8,000	Enagas SA	218,203.65	193,000.00	0.69
EUR	5,200	Euronext NV	193,789.70	203,866.00	0.72
EUR	13,898	Freenet AG Reg	352,777.14	371,910.48	1.32
EUR	2,155	Kone Oyj B	91,182.14	91,738.35	0.33
EUR	1,400	LVMH Moët Hennessy L Vuit SE	201,984.00	253,960.00	0.90
EUR	2,000	MTU Aero Engines AG	164,700.64	219,600.00	0.78
EUR	1,200	Muenchener Rueckver AG REG	195,540.00	215,580.00	0.77
EUR	69,720	Navigator Co SA Reg	195,999.20	227,635.80	0.81
EUR	7,227	Ontex Group NV	198,049.73	204,162.75	0.72
EUR	3,010	Publicis Groupe SA	177,940.75	197,305.50	0.70
EUR	46,365	Talgo SA	196,671.73	209,477.07	0.74
EUR	4,938	Viscofan SA	244,254.20	231,345.30	0.82
EUR	2,655	Wolters Kluwer NV	90,287.26	91,385.10	0.32
			5,140,248.00	5,506,088.88	19.52
GBP	333,602	Debenhams Plc	270,593.20	223,952.46	0.79
GBP	7,541	Diageo Plc	184,033.38	186,416.33	0.66
GBP	4,720	Intertek Group Plc	185,003.20	192,494.61	0.68
GBP	11,400	Prudential Plc	198,364.26	217,369.40	0.77
GBP	9,200	Royal Dutch Shell Plc A	201,591.02	241,709.01	0.86
			1,039,585.06	1,061,941.81	3.76
HKD	40,400	AIA Group Ltd	210,002.63	216,169.03	0.77
JPY	1,600	Fanuc Corp	215,250.72	257,771.35	0.91
JPY	3,000	Nidec Corp	204,308.25	245,990.16	0.87
JPY	4,400	Toyota Motor Corp	201,284.88	246,056.83	0.87
			620,843.85	749,818.34	2.65
USD	932	3M Co	144,373.18	157,810.77	0.56
USD	3,225	American Express Co	178,641.52	226,538.97	0.80
USD	3,200	Caterpillar Inc	209,372.14	281,403.38	1.00
USD	5,000	Citigroup Inc	203,717.19	281,765.60	1.00
USD	2,816	CVS Health Corp	225,648.44	210,706.01	0.75
USD	3,125	Dr Pepper Snapple Group Inc WI	260,808.08	268,674.14	0.95
USD	7,400	Invesco Ltd	199,295.74	212,892.09	0.76
USD	2,434	Johnson & Johnson	267,175.14	265,902.84	0.94
USD	3,154	Medtronic Plc	236,797.05	213,028.09	0.76
USD	1,739	Microsoft Corp	87,916.39	102,466.77	0.36
USD	5,193	Oracle Corp	183,988.30	189,333.25	0.67
USD	135	Samsung Electronics Co Ltd spons GDR repr 0.5 Share	90,776.52	95,623.93	0.34
			2,288,509.69	2,506,145.84	8.89
<b>Total shares</b>			<b>9,591,865.80</b>	<b>10,366,247.22</b>	<b>36.75</b>

The accompanying notes are an integral part of these financial statements.

## ARMONY - AGECA FUND

### Statement of investments and other net assets (in EUR) (continued)

as at 31st December 2016

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Bonds</b>					
EUR	340,000	Almirall SA 4.625% Reg S Sen 14/01.04.21	357,680.00	352,347.10	1.25
EUR	425,000	Espana 4.85% Sen 10/31.10.20	512,222.75	501,478.75	1.78
EUR	425,000	Italia 0.65% BOT 15/01.11.20	434,460.50	431,842.50	1.53
EUR	700,000	Mapfre SA VAR Sub 07/24.07.37	726,775.00	715,781.50	2.54
EUR	775,000	Ontex Group NV 4.75% Reg S Sen 14/15.11.21	831,612.50	821,317.88	2.91
			<u>2,862,750.75</u>	<u>2,822,767.73</u>	<u>10.01</u>
GBP	300,000	Debenhams Plc 5.25% Sen 14/15.07.21	352,882.26	369,758.20	1.31
GBP	350,000	InterContinental Hotels Gr Plc 3.875% EMTN Ser 2 12/28.11.22	461,635.19	450,083.01	1.60
GBP	450,000	United Kingdom 1.25% T-Stock 13/22.07.18	592,242.10	537,070.60	1.91
GBP	450,000	United Kingdom 1.75% T-Stock 13/22.07.19	604,727.63	549,460.08	1.95
			<u>2,011,487.18</u>	<u>1,906,371.89</u>	<u>6.77</u>
USD	440,000	Anheuser-Busch Inbev Fin Inc 2.15% Sen 14/01.02.19	398,252.43	420,056.89	1.49
USD	770,000	Grifols Worldwide Oper Ltd 5.25% Ser B 15/01.04.22	716,293.21	755,689.36	2.68
USD	390,000	Kraft Heinz Foods Co 2.8% Sen 16/02.07.20	360,883.11	373,260.62	1.32
USD	540,000	Microsoft Corp 2.4% Sen 16/08.08.26	487,343.65	483,867.34	1.72
USD	790,000	US 1.625% Ser AB-2020 15/31.07.20	714,425.43	748,689.54	2.66
			<u>2,677,197.83</u>	<u>2,781,563.75</u>	<u>9.87</u>
<b>Total bonds</b>			<u>7,551,435.76</u>	<u>7,510,703.37</u>	<u>26.65</u>
<b><u>Transferable securities dealt in on another regulated market</u></b>					
<b>Bonds</b>					
USD	500,000	Activision Blizzard Inc 2.3% Reg S Sen 16/15.09.21	448,146.33	462,324.58	1.64
USD	300,000	Tesco Plc 5.5% 07/15.11.17	281,233.31	292,191.35	1.04
USD	650,000	US 0.625% Ser Y-2018 13/30.04.18	576,560.34	613,374.05	2.18
USD	650,000	US 1.625% T-Notes 14/30.04.19	588,238.18	621,210.81	2.20
USD	1,420,000	US 1.625% T-Notes Ser B-2026 16/15.02.26	1,254,317.31	1,257,277.71	4.46
<b>Total bonds</b>			<u>3,148,495.47</u>	<u>3,246,378.50</u>	<u>11.52</u>
<b><u>Open-ended investment funds</u></b>					
<b>Investment funds (UCITS)</b>					
EUR	387	Carmignac Portfolio Global Bond A EUR Cap	543,700.17	542,964.87	1.93
EUR	28,540	F Templeton Inv Fds Global Bond A EUR H1 Cap	545,970.20	588,494.80	2.09
EUR	8,112	Robeco GI Total Return Bond Fund IH EUR (Hedged) Cap	899,509.68	885,262.56	3.14
<b>Total investment funds (UCITS)</b>			<u>1,989,180.05</u>	<u>2,016,722.23</u>	<u>7.16</u>
<b>Tracker funds (UCITS)</b>					
EUR	5,200	Lyxor UCITS ETF Da Dble ShBund	189,852.00	192,972.00	0.69
<b>Total tracker funds (UCITS)</b>			<u>189,852.00</u>	<u>192,972.00</u>	<u>0.69</u>
<b>Total investments in securities</b>			<u>22,470,829.08</u>	<u>23,333,023.32</u>	<u>82.77</u>
<b>Cash at banks</b>				4,827,894.32	17.13
<b>Other net assets/(liabilities)</b>				27,841.22	0.10
<b>Total</b>				<u>28,188,758.86</u>	<u>100.00</u>

The accompanying notes are an integral part of these financial statements.

## ARMONY - AGECA FUND

### Industrial and geographical classification of investments

as at 31st December 2016

#### Industrial classification

(in percentage of net assets)

Countries and governments	18.67 %
Investment funds	7.85 %
Capital goods	5.89 %
Software and services	5.71 %
Insurance	5.65 %
Pharmaceuticals and biotechnology	5.57 %
Diversified financial services	3.77 %
Food, beverage and tobacco	3.75 %
Household and personal products	3.63 %
Transportation	3.27 %
Retailing	3.14 %
Automobiles and components	2.10 %
Consumer durables and apparel	2.06 %
Banks	1.85 %
Raw materials	1.65 %
Hotels, restaurants and leisure	1.60 %
Commercial services and supplies	1.32 %
Media	1.02 %
Technology hardware and equipment	0.87 %
Energy	0.86 %
Health care equipment and services	0.76 %
Food retailing, drugstores and pharmacies	0.75 %
Utilities	0.69 %
Semiconductors and semiconductor equipment	0.34 %
Total	<u>82.77 %</u>

## ARMONY - AGECA FUND

### Industrial and geographical classification of investments (continued)

as at 31st December 2016

#### Geographical classification

(by domicile of the issuer)

(in percentage of net assets)

United States of America	24.70 %
United Kingdom	11.57 %
Spain	9.31 %
Luxembourg	7.16 %
Germany	5.61 %
Belgium	4.54 %
France	3.93 %
Ireland	3.44 %
Japan	2.65 %
The Netherlands	2.54 %
Portugal	2.43 %
Italy	1.53 %
Switzerland	1.16 %
Hong Kong	0.77 %
Bermuda	0.76 %
South Korea	0.34 %
Finland	0.33 %
Total	<u>82.77 %</u>

## ARMONY INVESTMENT FUND

### Notes to the financial statements

as at 31st December 2016

#### Note 1 - Significant accounting policies

##### a) Presentation of the financial statements

The financial statements of the Fund are prepared in accordance with the Luxembourg legal and regulatory requirements concerning Undertakings for Collective Investment.

##### b) Valuation of assets

- 1) The value of any cash in hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received are deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof is arrived at after making such discount as the Board of Directors may consider appropriate in such case to reflect the true value thereof.
- 2) The value of all securities and/or money market instruments which are listed or traded on an official stock exchange or traded on any other Regulated Market are valued on the basis of the last available closing prices on the Valuation Day or on the basis of the last available prices on the main market on which the investments of the Sub-Fund are principally traded. The Board of Directors approves a provider of securities prices which supply the above prices. If, in the opinion of the Board of Directors, such prices do not truly reflect the fair market value of the relevant securities, the value of such securities is determined in good faith by the Board of Directors either by reference to any other publicly available source or by reference to such other sources as it deems in its discretion appropriate.
- 3) Securities not listed or traded on a stock exchange or a Regulated Market are valued on the basis of the probable sales price determined prudently and in good faith by the Board of Directors.
- 4) Securities issued by open-ended investment funds are valued at their last available Net Asset Value or in accordance with item (2) above where such securities are listed.
- 5) The liquidating value of futures, forward or options contracts that are not traded on exchanges or on other organised markets are determined pursuant to the policies established by the Board of Directors, on a basis consistently applied. The liquidating value of futures, forward or options contracts trades on exchanges or on other organised markets are based upon the last available settlement prices of these contracts on exchanges and organised markets on which the particular futures, forward or options contracts are traded; provided that if a futures, forward or options contract could not be liquidated on such Valuation Day with respect to which a Net Asset Value is being determined, then the basis for determined the liquidating value of such contract is such value as the Board of Directors may deem fair and reasonable.

##### c) Acquisition cost of securities in the portfolio

The acquisition cost of the securities held by each Sub-Fund that are denominated in a currency other than the reference currency of the Sub-Fund is converted to this currency at the exchange rate prevailing on the date of purchase.

##### d) Net realised gain (loss) on sales of securities

The realised gains and losses on sales of securities are calculated on the basis of the average acquisition cost. The realised gains and losses on sales of securities portfolio are recorded net in the statement of operations and other changes in net assets.

## ARMONY INVESTMENT FUND

### Notes to the financial statements (continued)

as at 31st December 2016

#### e) Investment income

Dividend income is recorded at the ex-date, net of any withholding tax.

Interest income accrued and payable are recorded, net of any withholding tax.

#### f) Valuation of forward foreign exchange contracts

Forward foreign exchange contracts are valued at forward rates for the remaining period from valuation date to the maturity of the contracts. Net unrealised gains or losses are recorded in the statement of net assets. Net variation of the unrealised gains or losses and net realised gains or losses are recorded in the statement of operations and other changes in net assets.

#### g) Formation expenses

Formation expenses were amortised on a straight-line basis over a period of 5 years.

If the launch of a sub-fund occurs after the launch date of the Fund, the costs of formation in relation to the launch of the new sub-fund is charged to such sub-fund alone and may be amortised over a maximum of five years with effect from the sub-fund's launch date.

#### h) Conversion of foreign currencies

Cash at banks, other net assets and liabilities and the market value of the securities in portfolio expressed in currencies other than the currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the report. Income and expenses expressed in currencies other than the currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the transaction. Foreign exchange gains or losses are recorded in the statement of operations and other changes in net assets.

#### i) Combined financial statements

The combined financial statements of the Fund are expressed in EUR and are equal to the corresponding items in the financial statements of the Sub-Fund.

#### j) Transaction fees

Transaction costs disclosed under the item "Transaction fees" in the expenses of the statement of operations and other changes in net assets are mainly composed of broker fees incurred by the Fund and of fees relating to liquidation of transactions paid to the depositary.

### Note 2 - Management fees

Pursuant to the Management Company Agreement, the Fund has appointed Kredietrust Luxembourg S.A. as its designated management company within the meaning of the amended 2010 Law. The Management Company is responsible, subject to the overall supervision of the Directors, for the provision of investment management services, administrative services and marketing services to the Fund.

As remuneration for the services of Management Company, Kredietrust Luxembourg S.A. is entitled to receive an annual fee of 0.05% of the average of the net assets of each sub-fund with an annual minimum of EUR 17,500 per sub-fund to be paid at the end of each quarter (except the first year with an annual minimum of EUR 12,500).

## ARMONY INVESTMENT FUND

### Notes to the financial statements (continued)

as at 31st December 2016

For its investment services, the Management Company is entitled to receive an investment management fee, accrued on each Valuation Day and payable quarterly in arrears, of 0.05% per annum of the average of the net assets of the Sub-Fund attributable to each Class with a minimum of EUR 17,500 per year (except the first year with an annual minimum of EUR 12,500).

#### Note 3 - Advisory fee

Under an agreement concluded with the Management Company, Fimarge, Societat Financera D'Inversio, S.A. has been appointed as the investment advisor to the Sub-Fund.

In consideration of its services, the Investment Advisor receives an investment advisory fee, accrued on each Valuation Day and payable monthly in arrears, of 0.50% per annum of the net assets of the Sub-Fund attributable to each Class.

#### Note 4 - Central administration costs

The item "Central administration costs" disclosed in the statement of operations and other changes in net assets is mainly composed of administration and domiciliation fees.

#### Note 5 - Subscription duty ("*taxe d'abonnement*")

The Fund is governed by Luxembourg Law.

Pursuant to the legislation and regulations in force, the Fund is subject to an annual subscription duty ("*taxe d'abonnement*") of 0.05 % which is payable quarterly and calculated on the basis of the net assets of each sub-fund on the last day of each quarter.

Pursuant to Article 175 (a) of the amended Law of 17th December 2010 the net assets invested in undertakings for collective investment already subject to the "*taxe d'abonnement*" are exempt from this tax.

#### Note 6 - Forward foreign exchange contracts

As at 31st December 2016, the outstanding forward foreign exchange contracts with KBL EUROPEAN PRIVATE BANKERS S.A. are as follows:

##### ARMONY - AGECA FUND

Currency	Purchases	Currency	Sales	Maturity	Unrealised result (in EUR)
EUR	105,436.88	USD	115,000.00	25.01.2017	-3,472.55
EUR	186,245.12	USD	205,000.00	25.01.2017	-7,900.00
EUR	238,276.00	GBP	204,000.00	22.02.2017	-431.47
EUR	4,810,305.11	USD	5,116,000.00	22.02.2017	-28,677.54
					<u>-40,481.56</u>

#### Note 7 - Statement of changes in the investments portfolio

The statement of changes in investments for the period covered by the report is available free of charge at the registered office of the Fund.

## **ARMONY INVESTMENT FUND**

### **Notes to the financial statements (continued)**

as at 31st December 2016

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#### **Note 8 - Subsequent event**

The shareholders of ARMONY - AGECA FUND, a Sub-Fund of the Fund, are informed that the Management Company of the Fund has decided, under its responsibility and with the prior approval of the Board of Directors of the Fund, to appoint GVC Gaesco Gestion SGIC as Investment Manager to perform the discretionary management of the Sub-Fund's assets as from 1st February 2017.

For the services rendered, the delegated Investment Manager will be entitled to receive a fee, accrued on each Valuation Day and payable quarterly in arrears, of 0.5% per annum of the average of the net assets of the Sub-Fund attributable to each Class.

## ARMONY INVESTMENT FUND

### Additional Information (unaudited)

as at 31st December 2016

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#### 1 - Risk management

As required by Circular CSSF 11/512, the Board of Directors needs to determine the global risk exposure of the Fund either by applying the commitment approach or the VaR approach. In terms of risk management, the Board of Directors of the Management Company decided to adopt the commitment approach as a method of determining the global risk exposure for each Sub-Fund.

#### 2 - Remuneration

Total KTL staff member remuneration is split into a fixed and a variable remuneration:

-Fixed EUR 4,302,009.54

-Variable EUR 485,350.00

Number of employees:

-50 headcount

Aggregated remuneration of the conducting officers remuneration is EUR 894,754.94.

Details of the management company's updated remuneration policy, including a description of how remuneration and benefits are calculated, are available on the website [www.kbl.lu/en/notre-metier/clientele-Institutional/Regulatory](http://www.kbl.lu/en/notre-metier/clientele-Institutional/Regulatory).

#### 3 - Information concerning the SFTR disclosures

At the date of the financial statements, ARMONY INVESTMENT FUND is currently not concerned by the requirements of the SFTR regulation 2015/2365 on transparency of securities financing transactions and of reuse. Furthermore, no corresponding transactions were carried out during the period referring to the financial statements.