PALLADIUM FCP

MUTUAL FUND UNDER Luxembourg Law

R.C.S Luxembourg N° B 138.740

Annual Report and audited financial statements

for the period from January 8, 2016 (date of inception) to June 30, 2016

Table of Contents

Organisation

Management Company:
Duemme International Luxembourg S.A.
2, boulevard de la Foire
L-1528 Luxembourg
Grand-Duchy of Luxembourg

Board of Directors of the Management Company
Filippo Di Naro
Chief Executive Officer
2, boulevard de la Foire
L-1528 Luxembourg
Grand-Duchy of Luxembourg

Fabio Ventola
Chief Operating Officer
2, boulevard de la Foire
L-1528 Luxembourg
Grand-Duchy of Luxembourg

George Gudenburg
Independent Director
44, rue de Contern
L-5339 Moutfort
Grand-Duchy of Luxembourg

Giovanni Lainati
Independent Director
42, am Bongert
L-1270 Luxembourg
Grand-Duchy of Luxembourg

Custodian Bank:
60, avenue J.F. Kennedy
L-1855 Luxembourg
Grand-Duchy of Luxembourg

Administrative Agent, Registrar and Transfer Agent:
BNP Paribas Securities Services
60, avenue J.F. Kennedy
L-1855 Luxembourg

Distributors:
CheBanca! S.p.A.
Palazzo, 4
I-20158 Milano
Italy
Viale Bodio, 37

Allfunds Bank SA (Milan Branch)
Via Santa Margherita, 7
I-20121 Milano
Italy

Auditor:
Ernst & Young S.A.
35E, avenue J.F. Kennedy
L-1855 Luxembourg
Grand-Duchy of Luxembourg

General Information

PALLADIUM FCP (the "Fund") is a Mutual Fund in transferable securities under Luxembourg law established in Luxembourg in accordance with Part I of the Law of December 17, 2010 on Undertakings for Collective Investment, as amended.

The Management regulations in force were signed on January 8, 2016. They have been published in the Official Gazette of Luxembourg Recueil Spécial des Sociétés et Associations by a reference to their entry in the Luxembourg Companies Register.

The assets of the Fund are the joint and indivisible property of the participants and are segregated from the assets of the Management Company. All the units have equal rights. No restrictions are established on the amount of the assets or on the number of units representing Fund’s assets. The net assets of the Fund must amount to at least EUR 1,250,000.

1. Periodic reports

The accounting year of the Fund starts on July 1 and terminates on June 30.

The accounts of the Fund are maintained in EUR being the currency of the share capital. The financial statements relating to the only active sub-fund are expressed in the reference currency of the sub-fund.

2. Unitholders' information

a) Net asset value
The net asset value per class of units is available at the registered office of the Management Company of the Fund and is published in "Il sole 24 Ore".

b) Subscription and redemption prices
The subscription and redemption prices of each class of units are rendered public each day at the counters of the Custodian Bank and in banks offering financial services.

c) Notification to the unitholders
The other information addressed to the unitholders are published in the "Mémorial" at Luxembourg if this publication is prescribed by the management regulations or the prospectus. Moreover, they might be published in any newspaper published in the Grand-Duchy of Luxembourg and other newspaper(s) that the Board of Directors of the Management Company may determine.

d) The list of changes in the portfolio is available free of charge upon request at the registered office of the Management Company of the Fund.

Risk Measurement and Global Exposure

The Management Company uses a risk management process that enables it to monitor and measure at any time the risk of the portfolio positions and their contribution of the overall risk profile of the sub-fund. In accordance with the law of December 17, 2010, as amended, and the applicable regulatory requirements of the Commission de Surveillance du Secteur Financier "CSSF", the Management Company reports to the CSSF on a regular basis on the risk management process. The Management Company ensures, based on appropriate and reasonable methods, that the overall risk associated with financial derivative instruments does not exceed the net asset value of the portfolio.

However, the overall risk exposure related to financial derivative instruments will not exceed the total net asset value of the Fund. This means that the global exposure relating to the use of financial derivative instruments may not exceed 100% of the net asset value of the Fund and, therefore, the overall risk exposure of the Company may not exceed 200% of its net asset value on a permanent basis.

General Information (continued)

The Value at Risk (VaR) approach is used to monitor and measure the global exposure of the sub-fund Palladium FCP – Crescita Protetta.
For the period from January 8, 2016 (date of inception) to June 30, 2016, the VaR methodology, the information on the utilization of the VaR limit (the lowest, the highest and the average VaR), the model and the parameters used for its calculation as well as the average level of leverage are detailed as follows:

Sub-Fund Name	Palladium FCP - Crescita Protetta
Global Exposure - Methodology	Absolute VaR
Information on the VAR:	
Regulatory Limit	20%
VaR Model used	Historical VaR
Lowest VaR	0.001%
Highest VaR	14%
Average VaR	10.5%
Historical Data Serie Size	69 days (March 17- June 30)
Price Return Frequency	1 day
Decay Factor	1
Time Horizon	1 month
Confidence Level	99%

Leverage	
Expected Maximum level of leverage:	
Gross approach	101.55%
Net approach	N/A
Average observed level of leverage:	
Gross approach	101.10%
Net approach	N/A

Remuneration

Details of remuneration practices for Conducting Officers, Control Functions and Identified Staff are described in the Management Company's remuneration policy which is made available to investors upon request.

Management Report

INTRODUCTION

Assets under management reached EUR 12.896 million as of June 30, 2016.

CURRENT PERIOD MAJOR EVENTS:

<u>During April 2016</u>

The Board of Directors of the Management Company has acknowledged and approved several policies and gave mandate to the Management Company to implement it. It has acknowledged several reports of the Management Company in the context of the internal control system, risk management and compliance.

First Quarter 2016

Global equities followed a V-shaped trajectory with stocks falling sharply to mid-February and rebounding thereafter to end the quarter virtually flat in US dollar terms. The actions of central banks and a recovery in the oil price were important contributors to the market turnaround. US equities gained over the quarter. The market responded positively as forecasts for additional increases in US interest rates were deferred following dovish comments from Federal Reserve chair Janet Yellen. Eurozone equities had a turbulent quarter with banks under particular pressure. The European Central Bank announced fresh monetary policy easing in early March. In the UK, sterling fell as markets digested the possibility that the UK could leave the EU following the June referendum. Japanese equities declined amid unusual volatility. The Bank of Japan surprised investors with a move to a negative interest rate policy.

Emerging market equities posted positive returns and outperformed developed market equities. An easing in US dollar strength supported emerging markets while Brazil was the strongest market amid heightened expectations for the political change. In bonds, both government and corporate indices were positive. The 10year Treasury yield fell from 2.27% at the end of December to 1.77% at the end of March.

In January, for the Equities, “The worst start to any year on record” was a recurring headline. At the months low point the MSCI World Index had fallen over 10% while MSCI EM was off almost 13.5% with many major equity markets dropping into bear market territory. An oil price squeeze together with some help from ECB rhetoric and, unexpected BOJ action, meant we closed off the lows but the month remained in deficit and means a bad start to 2016 for equities. At the European sector level the stand out features were Staples outperformed relatively as bonds rallied on recession fears. Oil stocks benefited from a squeezing oil price. Cyclicals fell with Autos almost giving up all of 4Qs gains. Basic Resources continued to bleed lower alongside falling underlying commodity prices and Banks, especially peripheral/Italian banks were hit on capital raising fears and concerns on further ECB easing would damage profitability. Coming to Credit sector, in Europe over 5y spreads rose 56bps on the month (from +84 bps at the wides). In the US the falling oil price and recession fears meant HY (J.P. Morgan HY index yield) rose as much as 106bps to 10.31% at the wides. We ended the month at 9.7%, 43bps wider.

Sovereign bond yields fell everywhere in January on a combination of growth concerns, lower oil prices and inflation expectations and central bank policy. On the most part yield curves flattened but there was some divergence in the euro area and Japan when central bank action or threats of action caused some divergence.

In February, Euro area stocks, driven lower by the oil price, fell nearly 5% in the first week of the month and led by Banks, kept falling. Banks continued to suffer in the wake of the January BoJ’s announcement of negative deposit rates (despite the tiered approach designed to reduce the negative impact for the sector) and fears over problems in the Italian Banking sector.

Another Bank negative theme was a loss of faith in central banks, as a perception that central banks were embarking on a race to the bottom on negative rates wasn’t taken well.

Investors were skeptical that negative rates will boost growth and inflation, while at the same time the possible cost to the banking sector of the policy weighed on stocks. Eurozone Banks fell 7% in the second week which was Credit led, as declining profitability led to a repricing of AT1 debt and an unwind of the OW Financials vs. non-Financials trade. Into month end, a big decline in the dollar led to a rotation away from the overcrowded Defensives into the Value and Resources sectors. Trade weighted dollar as the currency caught up with the rates market in fundamentally reassessing the prospects for even one Fed hike this year.

Management Report (continued)

In hindsight the trade-weighted dollar had peaked in January. From a sector perspective, the Resources sectors (and beaten up Cyclicals generally), outperformed on dollar decline throughout the month. One big exception was the Banking sector, Global equities bounced back further on improvement in the economic data which supported the view that 4Q weakness may have been temporary. In particular, US initial jobless claims, retail sales, and IP were all stronger than expected and show a bounce in 1Q. Chinese credit data was very strong and suggests that stimulus is coming through. Tactical indicators signaled that equities have become oversold in the short term, which could argue for a near-term bounce.

Into month end short covering was the theme in Europe with Eurozone indices generally outperforming and bear up sectors such as Banks/Euro area banks and Oil & Gas stocks doing well. Financial Services also did well after the news that LSE and Deutsche Boerse were in merger talks. Bond yields curves (Euro and UST) generally bull flattened on lower growth concerns and concerns that central banks would take rates into further negative rate territory. Credit spreads exploded wider on a repricing of Financials in general and AT1 instruments in particular. A big OW into this year was financials vs. non-financials, and AT1 in particular was last year's best performing asset class due to its higher yield. However, coupons on these instruments are discretionary, and following profitability and litigation concerns at Deutsche Banks, a reappraisal of the risk of the coupons on these instruments more generally has occurred and led to a repricing.

In March, the MSCI World index rose 6.8% while the EM equivalent added almost 13% for one main reason: the declining dollar (the J.P. Morgan USD Index fell 3.3% in March and reached lows last seen in early November 2015). The market pushed out the timing of the next Fed hike to as late as December 2016. This kept the EM/Value rally going. Central banks stayed dovish in March meaning lower yields and flatter curves. Treasury yields fell further into month end after Chair Yellen's address to the Economics Club of New York during the last week of the month (the US curve actually steepened slightly with 10y yields 7bps higher on the month). In the Euro area peripheral spreads tightened. European Credit spreads tightened aggressively on the surprise news that the ECB would include corporate bonds in the QE program. US spreads continued to tighten on higher oil prices and fading US recession risks. The dollar plunged after the March Federal Open Market Committee ("FOMC") statement was more dovish than expected but had a further leg lower in the last week of the month. By some measures, Chair Yellen's address to the Economics Club of New York was more impactful than her FOMC press conference two weeks ago with Treasury yields, for example, have fallen to levels below those reached after the March 15 FOMC, and the JPM USD index making new lows. J.P. Morgan's EM FX index rose 6% on the month. Most pairs rose against the dollar with EUR/USD +5% to levels last seen mid October 2015 while the yen appreciated a further 1.6%. USD/JPY has fallen nearly 7% so far YTD.

Second Quarter 2016

Markets made a confident start to Q2 although the UK's vote to leave the EU overshadowed other developments by the end of the period. Global equities delivered positive returns in US dollar terms. Commodities gained, with energy outperforming. US equities gained over the quarter, supported by expectations that additional interest rate rises would be delayed. The UK's FTSE All-Share was among the strongest markets as a sharp depreciation in sterling was viewed as advantageous to a stock market comprising predominantly overseas earners. Eurozone equities had a turbulent quarter following the UK referendum, with financials particularly under pressure. Japanese equities posted considerable declines as a sharp appreciation in the yen (up 9.1% against the dollar) had a particularly negative impact on the stock market. Emerging markets slightly lagged developed markets. Brazilian equities were up sharply as the real rallied strongly against a backdrop of easing political risk.

Government bond yields were sharply lower over the quarter, with the 10-year German Bund yield dropping into negative territory.

In April, Risk assets began 2Q on a downbeat note with most indices declining in the first week proper. In Japan's case, the strengthening yen was a headwind, and in the Euro area it was Bank sector weakness and a trade-weighted euro at the 12 month highs that weighed. Eventually on the month most Eurozone indices eked out gains for the month however Many reasons were given for initial Euro area Bank weakness, but Italy was the ground zero where dilution and NPLs remain a concern for investors EM also underperformed in early April even though the dollar continued to decline and commodity prices were stable. While EM closed positive on the month, MSCI EM underperformed MSCI World. This was probably a pause after the large outperformance in March, or initial short covering has run out of steam.

Management Report (continued)

EM FX underweights have been reduced greatly (although the equity positioning remains UW overall). Equities enjoyed decent gains by mid-April however with a cyclical squeeze aided by steeper yield curves, improved sentiment around China growth, an attendant lower dollar and subsequent higher commodity complex. There was a squeeze in the Resources sectors (Miners were up over 13% in April) and progress on the Italian Banks bad bank front (see News). The gains also reflected buying into the Chinese 1Q and March activity data released today. This upside risk bias materialized, with better China data. The Nikkei was volatile. In the second week it was the best performing large market, rising nearly 7% as the yen gave up 1.1% of its recent gains. The cause was a squeeze combined with selling fatigue. Despite the intra month short covering the index declined on the month as the yen resumed its appreciation after the BOJ remained on Hold. Financials outperformed globally helped by US Banks 1Q earning reports were well received. By the third week of April the squeeze continued with most Eurozone bourses up between 2 - 4% led by Banks which benefitted from a steeper yield curve and short covering (even after this week's 6% rally the group are the worst sector so far YTD at -13%). The European rally in week's two and three of the month was meaningful led by Basic Materials Oil & Gas and Banks. Chinese shares underperformed on profit taking and some concerns that monetary policy stimulus maybe slowed down (PBOC Chief Economist Jun said policy needs to be calibrated to risks related to both weak economic growth and excess corporate leverage).

Some investors were also spooked by recent defaults at state-owned enterprises, where investors in China's yuan-denominated company notes have driven up yields for nine of the past 10 days and triggered the biggest selloff in onshore junk debt since 2014. Local issuers have canceled 61.9bn yuan ($9.6bn) of bond sales in April alone. While bond yields in China are still well below historical averages, a sustained increase in borrowing costs could threaten an economy that is more reliant on cheap credit than ever before. As we saw in equities, it was a tale of two halves for Fixed Income assets in April with core and higher quality bond yields lower and flatter in early April on a volatile oil price and general risk off sentiment. Peripheral spreads widened as Euro area banks continued to sell off. As oil rallied however, global bond yields modestly increased. Credit spreads tightened over the course of the week also helped by the modest rally in crude over the period, as well as strength in equities. Global bond yields then bear steepened significantly in the second half of the month (except Japan) as crude oil rose to reach fresh year to date highs. The yen was the main global FX story, appreciating to 17-month highs in early April until policymaker rhetoric managed to talk it lower. The appreciation resumed into month end after a more hawkish than expected BOJ meeting at the end of the month. The trade weighted dollar continued to slide as did the DXY on a combination of softer US data and a dovish Fed as well as rising oil prices and stabilizing China data. Sterling squeezed, after some of the Brexit hedges were unwound on an IPSOS telephone poll for the Evening Standard which showed Remain with a 10pt lead as well as the Obama and Treasury verbal interventions.

In May, MSCI World Index was more or less unchanged (+0.23%) while MSCI EM fell 3.9%. There was a 3% peak to trough intra month move for the former and a near 7% for the latter as the prospect of Fed hikes returned to the fore. Domestic conditions in many EM countries require an easy monetary policy stance, but if the Fed hikes this could result in excessive outflows. Equities began the month on a soft footing after poor China April PMIs and revived growth concerns due to soft US activity data (J.P. Morgan's US EASI fell to a 1 year low in early May). In Europe we were initially led lower by Basic Resources stocks as the softer China PMIs lead to profit taking after the strong April rally and even some short resetting and Banks. The Basic Resources index was as much as 25% below from its YTD high as commodity prices declined (see below) and Miners were among the worst performing single stocks in Europe this month. Banks also weighed on broader markets on a combination of 1Q results and general risk off sentiment (Commerzbank and UBS were both off 8% on the day of their 1Q releases).Yield fell in Europe and the US which weighed on Financials.

Initially global markets were negatively impacted by higher odds of Fed hikes being abruptly priced in, and although the dollar strengthened on this re-pricing, crude oil was able to move higher, which helped to cushion the impact. Japanese stocks benefited from a number of government officials talking down the yen as well as the stronger dollar due to the more hawkish FOMC stance and the Nikkei was the best performing large DM this month. Into month end however there was a broad global risk on rally as markets took the increased probability of a June or July hike more positively.

This was probably mainly due to positioning but stocks were also helped by better data, declining Brexit fears and oil trading above $50.bbl for the first time in 2016. Global bond generally declined (bull flattened) at the beginning of the month as equities and credit succumb to risk-off dynamics. Peripheral spreads widened on the risk off as did credit spreads in Europe.

There was a small increase in yields around the middle of the month on the higher expectations of Fed hikes were priced in but although higher crude prices might have been expected to contribute to a steepening of curves, that didn't happen. Global bond yields fell again in the last week of the month even though risk assets rose with curves flattening. Euro area supply was light whereas the strength of this week's UST auctions has left dealers with little supply to distribute especially with the BOJ and ECB LSAP crowding some investors towards USTs.

Management Report (continued)

Credit spreads tightened in the US and Europe and actually outperformed equities helped by higher oil prices in the US and the forthcoming ECB corporate bond buying program in Europe. The dollar had a good start to the month on hawkish Fed Speak and falling commodity/Asian currencies. By the end of the first week the trade weighted dollar index had made back all the post April FOMC decline. The trade weighted dollar strengthened vs. most pairs as higher odds of a Fed hike in June and July were priced in. Sterling was an exception as Cable outperformed. The perceived odds of Brexit declined significantly over the course of month. EM FX declined partly a function of USD strength, but much of the weakness was also due to China growth concerns after comments on the “L-shaped economy”.

During June, the UK voter’s majority decision to leave the EU sent shockwaves around the world and meant equities reversed gains that made earlier. MSCI World fell 1.28% (7.5% intra month swing) but MSCI EM rose 3.3% thanks to a more dovish Fed and a lower USD and US bond yields. The intra month swing for the latter was 5.75%. Incredibly the FTSE100 was the best performing index in June. The main topic of debate during the last four days of the month was: why are equity markets so resilient? The sector and country indices performance post the Brexit vote tells the story with Healthcare (+3.7%) and Staples (+2.0%) and this favors the FTSE100. These ultra-defensive yield plays benefit not only from the safe haven status due to uncertainty effect but also that UK bond yields are at all-time lows (and went even lower on Carney’s comments). There is also an argument to be made that even ex FTSE100 markets are behaving as if the UK/EU divorce will be amicable with both sides eventually making major concessions to ensure the post Brexit EU and UK relationship looks similar to what we have today.

That’s a big assumption to make at this early stage but that’s seemingly how some investors see this (J. P. Morgan economists don’t share this benign view of how negotiations will play out). At the other end of the spectrum, the FTSEMIB was -10% and that was due to Banks. Euro Area banks fell over 21% in June and bore the brunt of the selloff. Investors still fretted over Italian banks capital shortfall, yields kept falling and Brexit was the final nail. UK banks fell 30-40% on the Brexit result but made some of that back into month end. Global bond yields fell to new lows even before the Brexit risk off event as yield curves further bull flattened as risk aversion took hold of markets in early June. This due to the weak May US NFP released in June. The initial market reaction the payrolls miss was relatively sanguine, as a more dovish Fed and weaker dollar was taken as a positive. However when the dollar reversed this fears of a soft growth outlook increased Bund yields fell to new 12m lows while gilt yields declined to record lows on a combination of the global risk aversion and implied, and then realized Brexit risk. Bent traded at new 2016 highs in June. Prices were sent higher on further Nigerian supply concerns, expected draw in US crude inventories combined with a weaker dollar and stronger equities in the first part of the week. Gold rallied to multi year highs as bond yields collapsed.

INVESTMENT POLICY

The Fund objective is to achieve capital appreciation whilst offering a protection equal to the maximum between 80% of the initial NAV and 80% of the highest Basket Portfolio value ever achieved. The Management Company periodically reviews the ETFs (eligible list and weight) and send it to Mediobanca in order to implement the Total Return Funded Swap transaction. Mediobanca implements the allocation received from Duemme International Luxembourg S.A. and the volatility control mechanism on the ETFs portfolio (all as defined in the funded swap formula) providing also the protection through the Put option. Each eligible ETF’s performance is expressed in Euro and includes dividends (net of taxes). The Basket Portfolio consists of i) the asset components (ETFs) and ii) an exposure to the EONIA rate (cash component) where the two components are rebalanced to keep the realized volatility at or below 8% per annum.

Building a better
working world

Ernst & Young
Société anonyme

35E, Avenue John F. Kennedy
L-1855 Luxembourg

Tel : +352 42 124 1

www.ey.com/luxembourg

B.P. 780
L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

Independent Auditor's Report

To the Unitholders of
PALLADIUM FCP
2, boulevard de la Foire
L-1528 Luxembourg
Grand-Duchy of Luxembourg

We have audited the accompanying financial statements of PALLADIUM FCP (the "Fund"), which comprise the statement of net assets and the statement of operations and changes in net assets for the period from January 8, 2016 (date of inception) to June 30, 2016, and a summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Board of Directors of the Management Company for the financial statements

The Board of Directors of the Management Company is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements and for such internal control as the Board of Directors of the Management Company determines is necessary to enable the preparation and presentation 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. 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 Management Company, 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 Palladium FCP as of June 30, 2016, and of the results of its operations and changes in its net assets for the period from January 8, 2016 (date of inception) to June 30, 2016 in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Other matter

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Bernard Lhoest
Luxembourg, October 31, 2016

Statement of Net Assets as at June 30, 2016

	Notes	PALLADIUM FCP - CRESCITA PROTETTA EUR
Assets		
Receivables on swaps	7	12,991,349.17
Unrealised gain on swaps	7	23,565.26
Total assets		**13,014,914.43**
Liabilities		
Bank overdraft		5,503.44
Accrued expenses		63,580.76
Payable on redemptions		49,604.40
Total liabilities		**118,688.60**
Net assets at the end of the period		**12,896,225.83**

The accompanying notes form an integral part of the financial statements.

Statement of Operations and Changes in Net Assets for the period from January 8, 2016 (date of inception) to June 30, 2016

	Notes	PALLADIUM FCP - CRESCITA PROTETTA EUR
Expenses		
Investment management fees	4	42,597.90
Management company fees	5	2,772.88
Administration fees	5	6,119.82
Professional fees		6,945.87
Subscription Tax	6	2,560.32
Bank interest and charges		657.89
Other expenses		7,429.52
Total expenses		**69,084.20**
Net investment income / (loss)		**(69,084.20)**
Net realised gain / (loss) on:		
Swaps		84.33
Net realised gain / (loss) for the period		**(68,999.87)**
Net change in unrealised gain / (loss) on:		
Swaps		23,565.26
Increase / (decrease) in nets assets as a result of operations		**(45,434.61)**
Subscriptions		13,187,811.99
Redemptions		(246,151.55)
Net assets at the beginning of the period		-
Net assets at the end of the period		**12,896,225.83**

The accompanying notes form an integral part of the financial statements.

Statement of changes in the number of units for the period ended June 30, 2016

	Number of units at the beginning of the period	Number of units subscribed	Number of units redeemed	Number of units at the end of the period
PALLADIUM FCP - CRESCITA PROTETTA				
Classic C	-	129,817.42	2,452.05	127,365.37
Classic I	-	2,068.44	-	2,068.44

The accompanying notes form an integral part of the financial statements.

Statistics

Sub-fund	Date	Number of Outstanding Units		Total Net Assets (in EUR)	Net Asset Value per Unit (in EUR)	
PALLADIUM FCP - CRESCITA PROTETTA	June 30, 2016	127,365.37	Classic C	12,689,594.66	99.63	Classic C
		2,068.44	Classic I	206,631.17	99.90	Classic I

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements as at June 30, 2016

Note 1. General Information

PALLADIUM FCP (the "Fund") was created as of January 8, 2016 as a mutual investment fund (“Fonds Commun de Placement”) under the Luxembourg law for an unlimited duration. The Fund is registered in the Grand Duchy of Luxembourg as an Undertaking for Collective Investment (a “UCI”) pursuant to Part I of the law of December 17, 2010 as amended (the "2010 Law").

As at June 30, 2016, the Fund offered the following sub-fund:

- PALLADIUM FCP - CRESCITA PROTETTA

For the time being, the sub-fund may offer the following classes of units:

- Classic Class (hereafter "C"): offered to retail investors.

- Institutional Class (hereafter "I"): offered to institutional investors holding the units as part of their own assets or acting on behalf of individual or corporates entities.

Note 2. Exchange rate as at June 30, 2016

The exchange rate used for the translation of the sub-fund’s assets and liabilities not denominated in the reference currency of the sub-fund is as follows:

1 EURO (EUR) = 1.11020 US Dollar (USD)

Note 3. Significant accounting policies

The financial statements are presented in accordance with Luxembourg regulations relating to Undertakings for Collective Investment in transferable securities.

3.1 Foreign exchange translation

The accounts of the sub-fund are denominated in the currency in which its net asset value is calculated.

The financial statements have been drawn up in the accounting currency of the 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 rates prevailing on the 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 rates prevailing on the transaction date.

3.2 Presentation of the financial statements

The financial statements are presented on the basis of the latest net asset value calculated during the financial period. In accordance with the prospectus, the net asset value was calculated using the stock market prices and the latest exchange rates known at the time of calculation.

3.3 Valuation of investments

The Net Asset Value per each class of units is determined on the day specified for the sub-fund (the "Valuation Day") on the basis of the value of the underlying investments of the sub-fund, determined as follows:

Total Return Swaps ("TRS") are over-the-counter financial contracts used to gain exposure to fluctuations (positive or negative depending on the direction of the transaction) in financial instruments, baskets of financial instruments or indices without having to own or borrow the underlying financial instruments.

TRS are valued by reference to the market value of the underlying assets, taking into account the costs inherent to the transaction.

Notes to the Financial Statements as at June 30, 2016

Note 3. Significant accounting policies (continued)

3.3 Valuation of investments (continued)

All other securities and other assets are valued at fair market value as determined in good faith pursuant to procedures established by the Management Company.

Note 4. Investment management fees

The investment management fees are payable to the Management Company in compensation of its investment management services. Such fees are payable quarterly and are calculated on the basis of the average net asset value of each class of units for the relevant quarter.

As at June 30, 2016, the annual investment management fees rates per class of units are as follows:

Classes of Units	Investment management fees
Class C	1.40%
Class I	0.70%

During the initial ramp-up period and whenever the Basket Portfolio value is below the Protected Value, the management fees applied to each Class of Units can be reduced to 0.35%.

Note 5. Custodian, Management Company, administration and risk management fees

The Management Company is entitled to receive a management fee of a maximum of 0.10% per annum, calculated on the average quarterly net asset value of the Fund for its activity as Management Company.

As remuneration for services rendered to the Fund in their respective capacities, the Custodian Bank receives from the Fund, a fee of a maximum of 0.75% per annum. Custody fees are payable quarterly and are calculated on the basis of the average net asset value of the Fund for the relevant quarter.

A fee of a maximum of 0.80% per annum calculated on the average quarterly net asset value of the Fund is charged to the Fund for central administration services.

Moreover, for its risk management activities, the Management Company is entitled to receive from the Fund a fee of 0.025% per annum, payable quarterly and calculated on the average quarterly net asset value of the Fund.

Note 6. Taxe d'abonnement

The Fund is not liable to any Luxembourg tax on profits or income, nor are distributions paid by the Fund liable to any Luxembourg withholding tax. The Fund is, however, liable in Luxembourg to a tax of 0.05% per annum of its net asset value, such tax being payable quarterly on the basis of the value of the aggregate net assets of the sub-fund at the end of the relevant calendar quarter. The Fund is liable to a tax of 0.01% per annum of the net asset value on Institutional Classes. No stamp duty or other tax is payable in Luxembourg on the issue of units. No Luxembourg tax is payable on the realised capital appreciation of the assets of the Fund.

Note 7. Financial derivative instruments

Total Return Swaps

As at June 30, 2016, the sub-fund PALLADIUM FCP - CRESCITA PROTETTA was engaged in total return swap contracts with Mediobanca.

Description	Sell/Buy	Ccy	Maturity date	Market Value in EUR
Total Return Equity Swap -TRS-	Buy	EUR	18/03/2019	12,758,197.55
Total Return Equity Swap -TRS-	Buy	EUR	18/03/2019	207,112.48
				12,965,310.03

Notes to the Financial Statements as at June 30, 2016 (continued)

Note 7. Financial derivative instruments (continued)

The balance of EUR 12,991,349.17 accounted for as receivable on swaps in the statement of net assets is composed of the funding cost of the swaps for EUR 12,941,744.77 and a balance of EUR 49,604.40 receivable from the swaps' counterparty following a redemption for the same amount.

The underlying exposure obtained through the total return swap contracts consists of a basket of securities. As at June 30, 2016, the underlying exposure is as follows:

Description	Isin Code	Class C	Class I	Total
iShares Core Euro Government Bond UCITS ETF	IE00B4WXJJ64	5.96%	6.04%	5.96%
iShares MSCI Europe UCITS ETF	IE00B1YZSC51	5.23%	5.30%	5.23%
iShares Core S&P 500 UCITS ETF	IE00B5BMR087	4.19%	4.24%	4.19%
iShares S&P 500 EUR Hedged UCITS ETF	IE00B3ZW0K18	6.45%	6.53%	6.45%
iShares MSCI Europe Minimum Volatility UCITS ETF	IE00B86MWN23	6.47%	6.56%	6.47%
iShares Core MSCI Japan IMI UCITS ETF	IE00B4L5YX21	1.37%	1.39%	1.37%
iShares Core MSCI Japan IMI UCITS ETF	IE00B52MJY50	0.74%	0.75%	0.74%
iShares Core MSCI Emerging Markets IMI UCITS ETF	IE00BKM4GZ66	2.26%	2.29%	2.26%
iShares Dow Jones-UBS Commodity Swap UCITS ETF (DE)	DE000A0H0728	2.31%	2.34%	2.31%
iShares Developed Markets Property Yield UCITS ETF	IE00B1FZS350	1.52%	1.54%	1.52%

The remaining portion of the basket is composed of cash as of June 30, 2016.

Note 8. Collateral

As at June 30, 2016, the collateral received in order to reduce the counterparty risk linked to the total return swap contracts is detailed below:

Sub-fund	Sub-fund curreny	Counterparty	Type of collateral	Market value of collateral received in EUR
Palladium FCP - Crescita Protetta	EUR	Mediobanca	Securities	3,171,632.86
			Cash	10,957,609.00
				14,129,241.86