



PALLADIUM FCP

MUTUAL FUND UNDER Luxembourg Law

R.C.S Luxembourg N° B 138.740

Semi-Annual Report and unaudited financial statements

as at December 31, 2016

No subscription can be received on the basis of financial reports. Subscriptions are only valid if made on the basis of the current prospectus and relevant Key Investor Information Document ("KIID") which will be accompanied by a copy of the latest available annual report and a copy of the latest available semi-annual report, if published after such annual report.

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Organisation

Management Company:

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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.

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.

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Statement of Net Assets as at December 31, 2016

	Notes	PALLADIUM FCP - CRESCITA PROTETTA EUR
Assets		
Receivables on swaps	7	13,671,559.60
Unrealised gain / (loss) on swaps	7	60,460.09
Total assets		13,732,019.69
Liabilities		
Bank overdraft		166,376.47
Accrued expenses		79,163.21
Payable on redemptions		60,460.09
Total liabilities		305,999.77
Net assets at the end of the period		13,426,019.92

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

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Statement of Operations and Changes in Net Assets for the period ended December 31, 2016

	Notes	PALLADIUM FCP - CRESCITA PROTETTA EUR
Expenses		
Investment management fees	4	91,459.20
Management company fees	5	6,612.85
Administration fees	5	11,919.40
Professional fees		9,795.99
Subscription Tax	6	3,223.63
Bank interest and charges		10,016.56
Printing & publication fees		3,772.00
Other expenses		39,746.36
Total expenses		176,545.99
Net investment income / (loss)		(176,545.99)
Net realised gain / (loss) on:		
Swaps		(449,243.00)
Net realised gain / (Loss) for the period		(625,788.99)
Net change in unrealised gain / (Loss) on:		
Swaps		706,249.57
Increase / (decrease) in nets assets as a result of operations		80,460.58
Subscriptions		1,571,723.44
Redemptions		(1,122,389.93)
Nets assets at the beginning of the period		12,896,225.83
Net assets at the end of the period		13,426,019.92

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

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Statement of changes in the number of units for the period ended December 31, 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				
<i>Classic C</i>	127,365.37	9,645.68	11,240.31	125,770.74
<i>Classic I</i>	2,068.44	6,058.83	57.49	8,069.78

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

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Statistics

Sub-fund	Date	Number of Outstanding Shares		Total Net Assets (in EUR)	Net Asset Value per Share (in EUR)	
PALLADIUM FCP - CRESCITA PROTETTA	December 31, 2016	125,770.74	Classic C	12,609,777.76	100.26	Classic C
		8,069.78	Classic I	816,242.16	101.15	Classic I

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

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Notes to the Financial Statements as at December 31, 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 December 31, 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 December 31, 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.

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Notes to the Financial Statements as at December 31, 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 December 31, 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 December 31, 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	12,851,265.45
Total Return Equity Swap -TRS-	Buy	EUR	18/03/2019	820,294.15
				13,671,559.60

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Notes to the Financial Statements as at December 31 (continued)

Note 7. Financial derivative instruments (continued)

The balance of EUR 13,671,559.60 accounted for as receivable on swaps in the statement of net assets is composed of the funding cost of the swaps for EUR 13,611,099.51 and a balance of EUR 60,460.09 receivable from 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 December 31, 2016, the underlying exposure is as follows:

Name	Isin Code	Class R	Class I	Total
iShares Core Euro Government Bond UCITS ETF	IE00B4WXJJ64	11.61%	11.81%	11.62%
iShares MSCI Europe UCITS ETF	IE00B1YZSC51	12.43%	12.65%	12.45%
iShares Core S&P 500 UCITS ETF	IE00B5BMR087	18.27%	18.59%	18.29%
iShares S&P 500 EUR Hedged UCITS ETF	IE00B3ZW0K18	16.45%	16.74%	16.47%
iShares MSCI Europe Minimum Volatility UCITS ETF	IE00B86MWN23	16.69%	16.98%	16.70%
iShares Core MSCI Japan IMI UCITS ETF	IE00B4L5YX21	3.45%	3.51%	3.45%
iShares Core MSCI Pacific ex-Japan UCITS ETF	IE00B52MJY50	5.22%	5.31%	5.22%
iShares Core MSCI Emerging Markets IMI UCITS ETF	IE00BKM4GZ66	5.53%	5.62%	5.53%
iShares Dow Jones-UBS Commodity Swap UCITS ETF (DE)	DE000A0H0728	1.98%	2.01%	1.98%
iShares Developed Markets Property Yield UCITS ETF	IE00B1FZS350	3.66%	3.72%	3.66%

Note 8. Collateral

As at December 31, 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 currency	Counterparty	Type of collateral	Market value of collateral received in EUR
Palladium FCP - Crescita Protetta	EUR	Mediobanca	Securities	9,657,771.00
			Cash	3,577,502.00
				13,235,273.00

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Additional information regarding the Transparency of Securities Financing Transactions

The Fund is subject to the Regulation (EU) 2015/2365 on Transparency of Securities Financing Transactions and of Reuse and Amending Regulation (EU) No 648/2012 of the European Parliament ("SFTR"). The disclosure requirements accompanying this regulation are effective for semi-annual reports published after January 13, 2017. This regulation has therefore been adopted for this annual report dated December 31, 2016 due to the date the annual report is available to be issued falling after this effective date.

A Securities Financing Transaction ("SFT") is defined per Article 3(11) of the SFTR as:

- a repurchase transaction or a reverse repurchase transaction;
- a securities or commodities lending and securities or commodities borrowing;
- a buy-sell back transaction or sell-buy back transaction;
- a margin lending transaction.

As at December 31, 2016, the Fund held all of the above SFT's with the exception of buy-sell back or sell- buy back transactions.

The regulation also covers transactions that are commonly referred to as total return swaps. The Fund held contract for difference positions with economic characteristics equivalent to total return swaps as at December 31, 2016. Contract for difference positions and total return swaps are collectively referred to as "Swaps" in the tables below.

Global data

The Fund does not hold commodities on loan as a proportion of total lendable assets, defined as excluding cash and cash equivalents as at December 31, 2016: not applicable.

The following table reflects the amount of assets engaged in each type of SFT or Swaps expressed as an absolute amount in EUR and as a percentage of the Fund's net assets as at December 31, 2016:

	Absolute amount EUR *	% of Net Assets
Swaps	13,671,560	102.00
Total	13,671,560	102.00

* This reflects the absolute value of the collateral received or on loan at December 31, 2016.

Concentration data

Ten largest security and commodities collateral issuers across all SFTs and Swaps as at December 31, 2016, ordered by market value of collateral received per issuer: not applicable.

The following table reflects the top (up to) ten counterparties of each type of SFT and Swaps separately as at December 31, 2016, by name of counterparty and gross volume of outstanding transactions: not applicable

	Swaps EUR *
Counterparty	
MEDIOBANCA SPA	13,671,560
Total	13,671,560

* This reflects the absolute value of outstanding collateral transactions, received and on loan, as at December 31, 2016.

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Additional information regarding the Transparency of Securities Financing Transactions (continued)

Aggregate transaction data for each type of SFT and Swaps

The following table reflects the absolute market value of all collateral received and on loan for each type of SFT and Swaps by type and quality of collateral as at December 31, 2016:

	Equity		
	Investment Grade EUR	High Yield EUR	Not Rated EUR
Swaps	-	-	9,675,771
Total	-	-	9,675,771*

*As at December 31, 2106 the collateral received by the Fund is made by cash for an amount of EU 3.577.502 and not rated securities for an amount of EUR 9.657.771.

The following table reflects the absolute market value by currency of all collateral received and on loan for each type of SFT and Swaps as at December 31, 2016 reflected in EUR:

	EUR EUR	USD EUR
Swaps	11,117,535	2,117,738

The following table reflects absolute market value of all collateral received and on loan by maturity tenor of the SFTs and Swaps at December 31, 2016:

	On demand EUR	1 to 7 days EUR	8 to 30 days EUR	31 to 90 days EUR	Greater than 90 days but less than one year EUR	Greater than one year EUR	Open transactions EUR
Swaps	13,285,273	-	-	-	-	-	-
Total	13,285,273	-	-	-	-	-	-

As at December 31, 2016, there was no SFTs and Swaps were traded with counterparties established in Italy. All trades open at the end of the period have been transacted through bilateral settlement.

Data on collateral reuse

The Fund does not reuse the collateral.

Safekeeping of collateral received and granted by the Fund as part of SFT and Swaps trading

The Fund has no custody accounts in existence specifically for the safekeeping of collateral received. The Fund has not elected to segregate collateral, 100% of collateral granted is held in pooled accounts.

Data on return and cost for each type of SFT and Swaps

The following table reflects the return and cost for each type of SFT and Swaps broken down between the Fund, the Investment Manager and third parties for the year ended December 31, 2016. The returns presented are isolated to the financing transactions themselves and therefore do not include investment returns on the underlying collateral positions:

	Fund EUR	Investment Manager EUR	Third parties EUR
Swaps (unrealized)	133,840	-	-
Total	133,840	-	-

All the cost of the swaps are embedded in the statement of operations of the Fund.