

PALLADIUM FCP
Mutual Fund under Luxembourg Law
R.C.S. Luxembourg N° K1320
Annual Report and audited financial statements
as at June 30, 2019

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PALLADIUM FCP

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PALLADIUM FCP

Organisation

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PALLADIUM FCP

General Information

PALLADIUM FCP (the "Fund") is a Mutual Fund 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 February 21, 2019. The mention of their deposit with the Luxembourg Trade and Companies Register (the "R.C.S.") was published in the RESA on February 28, 2019.

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 combined accounts of the Fund are maintained in EUR being the currency of the share capital. The financial statements relating to the various separate sub-funds are expressed in the reference currency of each 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 Depository Bank and in banks offering financial services.

c) Notification to the unitholders

The other information addressed to the unitholders is published in the "Registre de Commerce et des Sociétés" in 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 of each sub-fund 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 to the overall risk profile of the sub-funds. 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 Value at Risk (VaR) approach is used to monitor and measure the global exposure of the sub-funds PALLADIUM FCP - CRESCITA PROTETTA and PALLADIUM FCP - CAIRN MEDIOBANCA STRATA UCITS CREDIT FUND.

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General Information (continued)

For the year ended June 30, 2019, 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	PALLADIUM FCP - CAIRN MEDIOBANCA STRATA UCITS CREDIT FUND
Global Exposure - Methodology	Absolute VaR	Absolute VaR
Information on the VaR:		
Regulatory Limit	20%	20%
VaR Model used	Historical Simulation	Parametric
Lowest VaR	1.86%	1.10%
Highest VaR	4.66%	1.68%
Average VaR	3.80%	1.44%
Historical Data Serie Size	250	250
Price Return Frequency	Daily	Weekly
Decay Factor	1	99%
Time Horizon	1 month	1 month
Confidence Level	99%	99%

Leverage		
Expected Maximum level of leverage		
Gross approach	100%	600%
Net approach	n/a	400%
Average observed level of leverage		
Gross approach	95.72%	112.93%
Net approach	n/a	98.13%

Remuneration

PALLADIUM FCP adopted the Remuneration Policy of Mediobanca Management Company S.A. (the "Management Company").

The Remuneration Policy is aimed at ensuring that any relevant conflicts of interest can be managed appropriately at all times and sets out practices for those categories of staff, including senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the risk profile of the sub-funds, that are consistent with and promote sound and effective risk management and do not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of those sub-funds.

This Remuneration Policy is in line with the business strategy, objectives, values and interests of the Management Company, the Funds under management and the investors in those Funds and includes measures to avoid conflicts of interest. In addition, the remuneration policy adopted applies the principles laid out under the UCITS Directive.

Identified staff

The UCITS Directive requires the Management Company to identify the categories of staff whose professional activities have a material impact on the risk profiles of the sub-funds.

The identified staff for the purpose of this Remuneration Policy are Mr. Fabio Gabriele and Mr. Fabio Ventola as Conducting Officers of Mediobanca Management Company S.A., Mr. Stefano Biondi as Board Member of Mediobanca Management Company S.A., Mr. Giovanni Mancuso and Mr. Giovanni Lainati as Independent Members of the Board of Mediobanca Management Company S.A., and Mr. Giorgio Paleari as Head of Internal Audit of the Parent Company (Mediobanca S.p.A.).

PALLADIUM FCP

General Information (continued)

Structure of remuneration

1. Fixed remuneration
2. Variable remuneration

The Management Company dedicates itself to collective asset management by managing a fund portfolio. Therefore, the variable component is predominantly established on a quantitative basis according to the actual profitability of the Management Company, taking into account any risk alignments.

The amount of individual bonuses may vary at the discretion of the management, according to assessments made regarding compliance with the business model, the attainment of targets and the absence of any critical situations or other prejudicial factors (i.e. in relation to Risks, Compliance and Anti-Money Laundering and Human Resources).

To measure performance, this discretion will be accompanied by a performance measurement system introduced at the start of each financial year in line with the allocated budget. The system will be quantitative and qualitative in nature and will consider corrective elements linked to the areas of compliance referred to above. The guidelines for the incentive scheme are determined in accordance with the policies of Mediobanca S.p.A. and the Mediobanca Group.

During its last accounting year ended June 30, 2019, the Management Company remunerated staff members as follows:

Total fixed remuneration*:	EUR 704,112.49
Total variable remuneration**:	EUR 144,683.12
Total remuneration:	EUR 848,795.61

Number of beneficiaries 9 (this number includes employees who left the company during the accounting year), out of which 2 are "identified staff".

Aggregate amount for senior management, fund managers, control functions and other risk takers whose professional activities have a material impact on the risk profiles of the Management Company and identified in the remuneration policy as "identified staff":

Total fixed remuneration*:	EUR 351,000.00
Total variable remuneration**:	EUR 96,000.00
Total remuneration of identified staff:	EUR 447,000.00

Aggregated amount of remuneration for other members of staff EUR 401,795.61.

* Benefit in Kind are excluded

** This amount is the variable remuneration paid to the different staff members for the year ended June 30, 2019, in compliance with the remuneration policy.

EU delegates

For the management of the sub-fund PALLADIUM FCP - CRESCITA PROTETTA the gross total remuneration paid during the year ending June 30, 2019 by Mediobanca SGR S.p.A. to the personnel (2 units) is equal to EUR 15,040.22, split into the fixed component equal to EUR 12,290.22 and into the estimated variable component equal to EUR 2,750.00.

For the management of the sub-fund PALLADIUM FCP - CAIRN MEDIOBANCA STRATA UCITS CREDIT FUND the gross total remuneration paid during the period ending June 30, 2019 by CAIRN CAPITAL LIMITED to the personnel (5 people) is equal to EUR 126,022, only composed of the fixed component equal to EUR 126,022.

Directors' Report

INTRODUCTION

Assets under management increased during the year from EUR 30.9 million as of June 30, 2018 to approximately EUR 91.1 million as of June 30, 2019. The above mentioned increase is mainly due to positive cash flows resulting from net subscriptions.

MACROECONOMIC SCENARIO

In the last 12 months (June 2018 - June 2019), global economy has experienced a slowdown, even though it has continued to grow. After a strong recovery that pushed global growth beyond the 2017 forecasts, growth progressively slowed down, exhibiting diverging trends in the various geographical areas.

In 2018, the concurrence of less expansive monetary policies and the slowdown in international trade reduced both economic growth and the related synchronization level, allowing fragile elements to be highlighted in individual economies. The continuing strengthening of the US dollar, deriving from the reformulation of monetary policy expectations and from the strength of the US economy, translated into an uneven tightening of financial conditions at global level. This particularly affected emerging economies, translating also into volatility periods in their financial markets (with particularly serious outcomes in Argentina and in Turkey).

The desynchronization of economic growth started to be noted as early as the mid-2018. In the United States growth reached its maximum level in several years, supported by the fiscal stimulus, in a context of strength in the labour market and inflation within the central bank's target. In consequence the Federal Reserve, fearing an overheating of the economy, continued to increase the objective intervals of the Fed Funds until December 2018 and to pursue the reduction of its budget at the anticipated pace. On the other hand, since mid-2018 the Eurozone experienced a loss of momentum, even though its growth rate remained above forecasts. The improvement in the labour market sustained wages, even though the ECB's target for core inflation was not achieved. The ECB continued to pursue its monetary accommodation policies until December 2018: in June 2018, it started to prepare the markets for the end of quantitative easing (QE) (having announced already in June that it would reduce the monthly volume of asset purchases from EUR 30 to EUR 15 billion starting from October, and that it would have stopped in December 2018), having however reiterated its overall forecast regarding the short term trend in official interest rates and in the reinvestment policy at the end of the program of purchases of net assets. In Asia, since the beginning of 2018, the Chinese economy experienced several signs of a slowdown, following the decision by the authorities to pursue a financial leverage reduction policy aimed at keeping fears related to financial stability under control. The marked drop in equity prices, which intensified in October, then had tightened financial conditions through its impact on loans secured by pledges over shares. In this context, the depreciation of the Renminbi, significant also with respect to the currencies of other emerging economies, exercised further pressure on other Asian currencies and on those of producers of raw materials. Consequently, there was a change in the tone of the country's monetary policy, which became more expansive in response to the worsening of economic prospects, in a context of internal imbalances and growing trading tensions.

In the last quarter of 2018, the tightening of the US monetary policy combined with the slowdown of the Chinese economy and the exacerbation of trading tensions progressively weakened manufacturing companies' confidence and gave rise to a tightening of enterprises' forecasts and a worsening of the global economic context, generating a cyclic deterioration in many advanced and emerging economies and a generalised worsening of financial conditions. In fact, global economic growth was significantly weakened and new export orders continued to fall. The purchasing managers' indices (PMI) for the manufacturing sector continued to slow down for all of the 12 months being considered. Investments in operating assets were disappointing, especially in Europe, China and in the other Asian emerging economies. There was also a slowdown in consumers' expenditure but generally this proved to be more resistant, helping to support services.

With the slowdown in the growth of the global economy and the growth in downside risks, share markets and corporate bonds experienced significant losses, first in October and then again in December. In response, the Federal Reserve paused its gradual and anticipated tightening of monetary policy: on January 4, 2019, in a conference of the American Economic Association in Atlanta, J. Powell announced a pause in his process of raising interest rates, a decision that was defined as a game changer. This greater flexibility reduced fears that the Fed would continue on "autopilot" (with regard to interest rates and its budget) and consequently the perception that it might make a monetary policy error with regard to the global economy which was starting to show signs of a slowdown.

Directors' Report (continued)

A further positive sign was given by the significant progress in the trade negotiations between the United States and China and the expectations that the loosening of monetary and fiscal policies put in place by the Chinese monetary and fiscal authorities would lead to an improvement in growth in the second part of 2019.

Therefore, at the start of 2019 there was a renewed appetite for risk on the financial markets, which recovered quickly and was supported by subsequent signs of recovery in the economic activity. At the start of the second quarter of 2019, in particular, signs became apparent of a certain stability in the activities of advanced economies and of a fiscal relaxation and other measures put in place by the Chinese authorities.

However, in May, after relatively positive months of negotiations between the United States and China, the US administration accused China of having unilaterally redefined the terms of the agreement, pushing back on already agreed issues. The US administration then imposed a further 25% increase on tariffs on USD 200 billion of imports from China, threatening to further extend tariffs by 25% on all imported goods. China reacted with tariffs of USD 60 billion on its imports from the United States. So, the prospect of a rapidly reached agreement between the two economies receded. In addition to the tension with China, the United States experienced another tension front with respect to Mexico when President D. Trump declared that tariffs of 5% would be applied to all imports from the country as of June 10, which would rise to 10% in July, 15% in August, 20% in September and 25% in October, if the Mexico did not effectively intervene to alleviate the presumed migration crisis. Later Trump decided to suspend these tariffs against Mexico, offering new relief to the markets in particular in relation to risky assets.

The G20 Osaka summit finally prevented the tightening of the trade war between the United States and China: a truce was agreed and negotiations reopened without, however, achieving a final resolution. Therefore, significant geopolitical tensions remain at global level (Brexit, Iran, US-China tariffs). Political uncertainty continues to affect the confidence of businesses and consumers, with repercussions on global investments which translate into weak international manufacturing activity. To offset the growing risks of a slowdown in economic growth, from June the main central banks assumed a more accommodating stance, contributing to the relaxation of financial conditions and stabilising risky assets: while the bond markets price in the slowdown of economic growth and therefore a cut in the cost of money, share markets are embracing the theory that central banks can successfully manage a boost to the economic cycle. In the June monetary policy meeting, the Federal Reserve signalled the start of a "preventive cut" to the cost of money. The underlying idea is that of underwriting, at a relatively modest cost in terms of risk, an insurance policy for the risk of recession, even in the absence of imminent contractions in growth, but in the presence of downwards risks. The position was supported by governor J. Powell in his speech to Congress in mid-July. Similarly, in the attempt to prevent a strengthening of the Euro, the ECB anticipated the message from governor E. Powell and in Sintra, on occasion of the annual meeting, the ECB President, Mario Draghi, expanded on the message already delivered during the meeting of June 6, stating that "in the absence of improvements, further stimuli will be necessary" and that therefore "in the next few weeks the Governing Council must deliberate on how to adjust instruments in relation to the severity of the risk for the stability of prices". Among the instruments available "further cuts to the official interest rates and measures to contain any negative collateral effects" were mentioned, as well as QE. The ECB, in fact, fears that the second half of 2019 might not see a new acceleration. In the meeting of July 25, the ECB changed its own forward guidance, stating in its initial declaration that it expected that "interest rates will remain on the same or on lower levels than current ones, at least until the second half of 2020 and, in any case, until it is necessary to ensure that inflation continues to converge steadily with the mid-term target" and postponed operational decisions to September, when it will have at its disposal the new growth and inflation forecasts and the preparatory studies for the new QE programme and the implementation of the tearing system, alongside the cut to the cost of money.

Short-term risks remain. The negative consequences of the political uncertainty are apparent in the divergent trends between the manufacturing and the service sectors and in the significant weakness in world trade. The manufacturing sector PMI continues to decline in line with the decline in the business environment as companies pull back from investments at a time of great uncertainty. The growth in global trading, which is strictly related to investments, has suffered a significant slowdown, and stood at 0.5% (year on year) in the first quarter of 2019, the slowest rate since 2012. On the other hand, the services sector is holding up and consumer spending is high, with unemployment rates at record lows and income from employment increasing in many countries.

Directors' Report (continued)

THE MARKETS PERFORMANCE

After ending 2018 in negative territory, penalised in particular by the share markets performance in the second half of the year, the main share markets experienced a marked reversal in performance in the first half of 2019, again supported by the accommodating actions of the main central banks, mainly led by the Fed. This element constituted a veritable game changer for the market which allowed share listings to completely recover the heavy losses suffered in December. We recall here that in 2018, in fact, after a few moments characterised by sudden peaks of volatility, it was in last few months of the year that financial markets reported a phase of turbulence. Also, in October, the markets to be most affected were the US markets, in fact those markets that had acted as a driving force in the previous quarters, while the markets of other advanced economies faltered and those of emerging economies slowed down or experienced greater difficulties. After a relatively quiet November, disruption again returned at the start of December. Analysing the two phases, the drops in October had all the characteristics of a sudden adjustment in the bond yields sector. So, as it often happens in these cases, in a highly volatile environment, stock markets lost all the gains accumulated at the beginning of the year, with the decompression of term premiums and the increase in nominal and real interest rates (in those days the US 10-year bond returned to offer a yield at maturity of over 3%). The credit spread of corporate bonds widened, with the more speculative sector particularly affected. The drops in December, however, had the characteristics of an escape towards safer investments. The stock market crashed again both in the United States and at world level, credit spreads continued to widen, but this time bond yields dropped (with the US 10-year bond again falling under 3%). On the basis of these dynamics, the prevailing factors seemed to have been the conflicting signals from the economy and the changes in the perception of the orientation of the Federal Reserve. In 2018 investors had been prepared to a gradual and progressive tightening of the monetary policy but in December these expectations were redefined downwards, partly following official declarations, and partly because of new fears regarding growth prospects, fears further supported by the flattening of the yield curve and the reversal of the short-term segment, often viewed as a sign of recession. These elements had a relevant impact also because they were compounded by the concerns raised during the year by trade tensions and political uncertainties, the latter proving to have had a deterrent effect in particular on the European markets. With this backstory, the subsequent positive reaction of the markets to the new monetary accommodation declarations and initiatives by the central banks, which are set to characterise also the second part of 2019, is less surprising.

In this context the Morgan Stanley All Country World index measured in Euro showed a positive total return of 8.7% in the 12-months period (June 2018 - June 2019), thanks to the +17.2% gained in the first six months of the new year. This result derives from an essentially homogenous performance of all the main geographical areas with the exception of Japan, both at the downward stage at the end of 2018 and in the recovery in the subsequent half-year, with a marginally positive contribution to be attributed to the effect of the exchange rate with the US dollar, which rose in comparison to the Euro by 2.7% in the 12 months analysed (0.8% for the performance in the first half of 2019). In detail, the US S&P500 index rose by 10.4% in USD (total return) over the 12 months analysed, with a progression of +18.5% in the first half of 2019, remaining one of the best performing indices also in an environment of growing geopolitical risks. The technology sector also confirms its leadership, with NASDAQ 100 up 22% in USD since the start of 2019. The Japanese Topix underperformed US indices, finding its place among the most negative indices for developed markets, with a recovery of only +6.8% in JPY in the first part of 2019, improved for the European investor by the appreciation of the Yen of 2.5% in the first part of 2019 and of 5.5% in the June 2018 - June 2019 12-month period. The European listings reflected the illustrated dynamics with the Eurostoxx50 up by 17.3% (total return) in the first half of 2019 and by 6.1% in the 12-month period. At national level, the Italian FTSEMIB, after experiencing weakness in 2018 also because of political speculations, benefited from the recovery period in 2019, showing a rise of 19.9% (total return) and an overall rise for the 12-month period of +2.4%. Slightly lower performances were recorded by the German DAX index, which had been more heavily influenced by the difficulties in the manufacturing sector, while the French CAC 40 proved to be one of the best performing stock markets in Europe, with an overall progression of 21.7% (total return) in the first six months of 2019.

The stock markets of emerging countries did not perform as well in the period in question, with the MSCI Emerging Markets index in USD closing the 12-month period up by 1.55% (total return), particularly affected by the Chinese stock exchange in 2018 and in spite of the recovery of the first six months of 2019 when the aggregate index recovered by 11% in USD and the Shanghai index recovered by 28.5% in CNY. In terms of investment style, it was again "value" shares to underperform compared to "growth" stock both in the positive phases and when the markets were falling while in terms of capitalisation the market offered a reduced level of diversification in the period analysed (MSCI World Large Caps 9.31% compared to MSCI World Small Caps 0.01%, both in terms of total returns expressed in Euro measured in the last 12 months).

Directors' Report (continued)

Moving to the bond sector, in the period analysed performances were consistent with the illustrated macroeconomic and market scenario. In particular, the dynamics of the last few months determined their decline, with the consequent positive effect on prices. Higher rated government bonds, typically those from the US and Germany, therefore recorded positive performances reaching new minimums in terms of yield for the period and even in historical terms in the case of German bonds. For example, after seeing yield rise from 1.8% at the start of 2018 to the 2.9% recorded in November, the US Treasury 2-year bond again fell to near 2.4% at the end of the year and to around 1.8% at the end of June 2019, so totally offsetting the movement of the last 18 months. Similar performance was recorded by the 10-year bond which started 2018 with a yield of 2.4% and rose to 3.23% in November, to then close at the end of the first half of 2019 at around 2.0%. The Treasury index representative of all US maturities, measured in USD, therefore recorded a positive result of 5.3% in the first half of 2019 and of 7.3% for the last 12 months. European government bonds (analysed in aggregate form) also recorded a positive 6% in the first half of 2019, thanks to the positive result of all bonds, both "core" and "peripheral" ones. So, while the German Bund recorded new absolute yield minimums, returning to negative territory with -0.35% at the end of June, with a drop of around 1 percentage point compared to the maximum levels recorded in 2018, the 10-year BTP returned to the values recorded before the political crisis in spring 2018, seeing the yield offered drop again from a maximum of 3.7% in October to 2.0%, while the 2-year bond saw the yield offered drop again to around 0%.

The corporate bond sector was affected by the same drivers that influenced the performance of stock markets. As it often happens in risk-off market phases, it was mainly the most speculative bonds to record the worst performance, in particular European ones, to then experience the greatest recoveries in the risk-on phases. The main corporate indices so recorded results between 4% in Euro for the European Investment Grade bonds and 10.5% in USD for the US sector in the 12-month period in question. A good performance in the 12-month period also for the high yield sector with +5.6% in Europe and +7.6% in USD in the United States, while emerging debt issuances in hard currency, measured in USD, reached +11.5%. The positive dynamics of the first half of 2019 were on par with what was observed in the stock market, and were determinant in reaching these results.

The exchange market has not recorded particularly significant changes in 2019, thanks to the equilibrium that the central banks have managed to guarantee in the important stage of adjustment in the market expectations of their future policies. Compared to the values at the start of the year, the single currency depreciated by only a few percentage points compared to the main currencies (-0.8% compared to the USD and -2.5% compared to the Yen).

Lastly, it is necessary to highlight the high volatility in the price of crude oil on the commodities market. Oil, measured according to the WTI contract, after experiencing a practically uninterrupted positive trend from June 2017 to September 2018, which had seen prices range from 45 USD/barrel up to 75 USD/barrel (around +80%). During the following three months after September 2018, mainly due to the fears of a slowdown in the economy, the dynamics of the offer and the effect of speculative positions, the price experienced a correction that was as sudden as it was unexpected, returning to its levels of 15 months earlier, and closing 2018 with a negative -25% in USD, to then significantly recover in 2019. Among the reasons to support this recovery, which saw prices reach over 65 USD/barrel to then settle at around 55 USD/barrel, one of the main ones was attributable to the intensification of geopolitical tensions in the Middle East and in particular the relationships between Iran and the United States. Lastly, the significant rise in the price of gold is to be noted. Supported by increasing risks associated with the global growth scenario and the newly accommodative decisions of the central banks, gold saw its price exceed 1,400 USD/once (a level not reached since 2013), with an increase of 10% just in the first six months of 2019.

As a consequence of the scheduled withdrawal of the United Kingdom from the European Union (EU), best known as Brexit, following the June 2016 referendum in which 52% of electors voted to leave and whose deadline is currently October 31, 2019, the delegation of portfolio management from a Luxembourg management company to a UK portfolio manager does not cause problems in the event of a Brexit as the continuity of services is still possible ; as set out in the ESMA opinions from 2017.

Independent Auditor's Report

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

Opinion

We have audited the financial statements of PALLADIUM FCP (the "Fund") and of each of its sub-funds, which comprise the statement of net assets and the securities portfolio as at June 30, 2019, and the statement of operations and changes in net assets for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund and of each of its sub-funds as at June 30, 2019, and of the results of their operations and changes in their net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with the Law of July 23, 2016 on the audit profession (the "Law of July 23, 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of July 23, 2016 and ISAs are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors of the Management Company of the Fund (the "Board of Directors") 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 the "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.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Fund's and each of its sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Fund or any of its sub-funds or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report (continued)

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Management Company.
- Conclude on the appropriateness of the Board of Directors of the Management Company use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's or any of its sub-funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Fund or any of its sub-funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé



Bernard Lhoest
Luxembourg, October 24, 2019

PALLADIUM FCP

Combined Statement of Net Assets as at June 30, 2019

	Notes	Combined EUR
Assets		
Investments in securities at cost		62,329,016.49
Unrealised gain / (loss) on securities		320,740.91
Investments in securities at market value		62,649,757.40
Cash at bank		6,664,819.02
Receivable on subscriptions		249,950.02
Receivable on swaps	7	27,935,532.04
Interests and dividends receivable		306,883.77
Formation expenses		113,091.62
Net unrealised gain on forward foreign exchange contracts	7	92,783.24
Total assets		98,012,817.11
Liabilities		
Accrued expenses		183,067.55
Payable on redemptions		48,667.40
Payable on securities purchased		4,860,526.25
Net unrealised (loss) on swap contracts	7	1,798,173.89
Total liabilities		6,890,435.09
Net assets at the end of the year		91,122,382.02

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

PALLADIUM FCP

Statement of Net Assets as at June 30, 2019

	Notes	PALLADIUM FCP - CRESCITA PROTETTA EUR	PALLADIUM FCP - CAIRN MADIOBANCA STRATA UCITS CREDIT FUND EUR
Assets			
Investments in securities at cost		-	62,329,016.49
Unrealised gain / (loss) on securities		-	320,740.91
Investments in securities at market value		-	62,649,757.40
Cash at bank		30,539.30	6,634,279.72
Receivable on subscriptions		-	249,950.02
Receivable on swaps	7	27,935,532.04	-
Interests and dividends receivable		-	306,883.77
Formation expenses		-	113,091.62
Net unrealised gain on forward foreign exchange contracts	7	-	92,783.24
Total assets		27,966,071.34	70,046,745.77
Liabilities			
Accrued expenses		138,445.11	44,622.44
Payable on redemptions		48,667.40	-
Payable on securities purchased		-	4,860,526.25
Net unrealised (loss) on swap contracts	7	1,021,317.52	776,856.37
Total liabilities		1,208,430.03	5,682,005.06
Net assets at the end of the year		26,757,641.31	64,364,740.71

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

PALLADIUM FCP

Combined Statement of Operations and Changes in Net Assets for the year ended June 30, 2019

	Notes	Combined EUR
Income		
Interests on bonds (net of withholding taxes)		150,951.25
Bank interests		45,784.01
Income on swap contracts		12,917.05
Total income		209,652.31
Expenses		
Investment management fees	4	354,379.10
Management company fees	5	36,612.38
Depository bank fees	5	12,402.32
Performance fees	4	72.00
Administration fees	5	31,357.84
Professionnal fees		49,916.67
Transactions costs		23,954.40
Subscription Tax	6	18,293.05
Amortization of formation expenses		2,859.03
Bank interests and charges		18,061.20
Expenses on swap contracts		25,749.20
Printing & publication fees		3,680.00
Other expenses		153,972.04
Total expenses		731,309.23
Net investment income gain / (loss)		(521,656.92)
Net realised gain / (loss) on:		
Investments		87,921.16
Forward foreign exchange contracts		110,719.48
Swap contracts		1,715,490.93
Foreign exchange translations		(195.40)
Net realised gain / (loss) for the year		1,392,279.25
Net change in unrealised gain / (loss) on:		
Investments		320,740.91
Forward foreign exchange contracts		92,783.24
Swap contracts		(1,166,104.04)
Increase / (Decrease) in net assets as a result of operations		639,699.36
Subscriptions		66,053,178.64
Redemptions		(6,479,395.96)
Net assets at the beginning of the year		30,908,899.98
Net assets at the end of the year		91,122,382.02

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

PALLADIUM FCP

Statement of Operations and Changes in Net Assets for the year ended June 30, 2019

	Notes	PALLADIUM FCP - CRESCITA PROTETTA EUR	PALLADIUM FCP - CAIRN MEDIOBANCA STRATA UCITS CREDIT FUND EUR
Income			
Interests on bonds (net of withholding taxes)		-	150,951.25
Bank interests		45,358.86	425.15
Income on swap contracts		-	12,917.05
Total income		45,358.86	164,293.45
Expenses			
Investment management fees	4	342,383.67	11,995.43
Management company fees	5	29,568.35	7,044.03
Depository bank fees	5	9,536.95	2,865.37
Performance fees	4	-	72.00
Administration fees	5	27,238.22	4,119.62
Professional fees		44,808.34	5,108.33
Transactions costs		19,480.23	4,474.17
Subscription Tax	6	10,453.41	7,839.64
Amortization of formation expenses		-	2,859.03
Bank interests and charges		7,788.95	10,272.25
Expenses on swap contracts		-	25,749.20
Printing & publication fees		3,680.00	-
Other expenses		142,391.90	11,580.14
Total expenses		637,330.02	93,979.21
Net investment income gain / (loss)		(591,971.16)	70,314.24
Net realised gain / (loss) on:			
Investments		-	87,921.16
Forward foreign exchange contracts		-	110,719.48
Swap contracts		1,144,177.64	571,313.29
Foreign exchange translations		-	(195.40)
Net realised gain / (loss) for the year		552,206.48	840,072.77
Net change in unrealised gain / (loss) on:			
Investments		-	320,740.91
Forward foreign exchange contracts		-	92,783.24
Swap contracts		(389,247.67)	(776,856.37)
Increase / (Decrease) in net assets as a result of operations		162,958.81	476,740.55
Subscriptions		2,165,178.48	63,888,000.16
Redemptions		(6,479,395.96)	-
Net assets at the beginning of the year		30,908,899.98	-
Net assets at the end of the year		26,757,641.31	64,364,740.71

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

PALLADIUM FCP

Statement of changes in the number of units for the year ended June 30, 2019

	Number of units at the beginning of the year	Number of units subscribed	Number of units redeemed	Number of units at the end of the year
PALLADIUM FCP - CRESCITA PROTETTA				
<i>Classic</i>	202,389.63	16,791.68	56,307.15	162,874.16
<i>Institutional</i>	102,272.95	4,646.23	8,290.26	98,628.92
PALLADIUM FCP - CAIRN MADIOBANCA STRATA UCITS CREDIT FUND				
<i>Classic</i>	-	138,816.16	-	138,816.16
<i>Institutional 1</i>	-	1,000.00	-	1,000.00
<i>Institutional 4</i>	-	1,000.00	-	1,000.00
<i>Management</i>	-	498,000.00	-	498,000.00

PALLADIUM FCP

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, 2017	116,664.01	Classic	13,000,157.06	101.20	Classic
		11,644.93	Institutional		102.47	Institutional
	June 30, 2018	202,389.63	Classic	30,908,899.98	100.69	Classic
		102,272.95	Institutional		102.97	Institutional
	June 30, 2019	162,874.16	Classic	26,757,641.31	101.18	Classic
		98,628.92	Institutional		104.20	Institutional
PALLADIUM FCP - CAIRN MEOBANCA STRATA UCITS CREDIT FUND	June 30, 2019	138,816.16	Classic	64,364,740.71	100.76	Classic
		1,000.00	Institutional 1		100.67	Institutional 1
		1,000.00	Institutional 4		100.63	Institutional 4
		498,000.00	Management		100.75	Management

PALLADIUM FCP

PALLADIUM FCP - CAIRN MEDIOBANCA STRATA UCITS CREDIT FUND

Securities Portfolio as at June 30, 2019

Name	Currency	Quantity/Nominal	Market Value in EUR	% NAV
Transferable securities admitted to an official exchange listing				
Bonds and other debt instruments				
Asset backed securities				
BABSE 2018-1X D 18-15/04/2031 FRN	EUR	2,400,000.00	2,292,054.72	3.56
BLACK 2019-1X DE 19-15/05/2032 FRN	EUR	1,000,000.00	1,000,000.00	1.55
BNPAM 2018-1X E 18-15/04/2031 FRN	EUR	1,500,000.00	1,451,271.75	2.25
CABOT FINANCIAL 19-14/06/2024 FRN	EUR	600,000.00	608,248.80	0.95
CADOG 12X E 18-15/10/2031 FRN	EUR	1,500,000.00	1,447,519.35	2.25
CGMSE 2014-3X CR 18-25/01/2032 FRN	EUR	2,500,000.00	2,414,784.25	3.75
CGMSE 2017-3X C 17-15/01/2031 FRN	EUR	2,500,000.00	2,406,646.88	3.74
CRNCL 2017-8X E 17-30/10/2030 FRN	EUR	1,380,000.00	1,291,901.90	2.01
DOMI 2019-1 D 19-15/06/2051 FRN	EUR	998,000.00	1,001,231.22	1.56
FOAKS 1X DE 19-15/07/2030 FRN	EUR	250,000.00	250,000.00	0.39
FROSN 2018-1 C 18-21/05/2028 FRN	EUR	359,006.62	357,456.90	0.56
FROSN 2018-1 D 18-21/05/2028 FRN	EUR	1,166,771.52	1,160,996.00	1.80
HARVT 8X ERR 18-15/01/2031 FRN	EUR	2,300,000.00	2,159,159.50	3.35
IMT 2003-3G A2 03-27/09/2035 FRN	USD	510,991.49	426,009.04	0.66
IMT 2004-4E A2 04-14/11/2036 FRN	GBP	486,954.68	529,265.56	0.82
JUBIL 2015-16X DR 17-15/12/2029 FRN	EUR	2,000,000.00	1,945,523.80	3.02
LGATE 2008-W1X BB 08-01/01/2061 FRN	EUR	1,297,106.70	1,168,221.42	1.82
LUSITANO MORTGAGES 5 A 06-15/07/2059 FRN	EUR	1,440,951.80	1,380,927.07	2.15
NDFT 2019-1X D 19-15/06/2027 FRN	GBP	1,000,000.00	1,119,725.16	1.74
NGATE 2007-3X CB 07-15/12/2050 FRN	EUR	1,266,720.40	1,203,961.43	1.87
PARGN 15X CB 07-15/12/2039 FRN	EUR	1,500,000.00	1,299,874.98	2.02
PMF 2018-1B D 18-12/12/2054 FRN	GBP	1,250,000.00	1,388,097.40	2.16
PMF 2019-1B D 19-12/12/2055 FRN	GBP	1,500,000.00	1,683,275.16	2.62
PNERA 1 D 18-22/05/2030 FRN	EUR	998,898.62	960,860.56	1.49
PRVD 1X D 18-14/05/2031 FRN	EUR	1,500,000.00	1,447,512.53	2.25
PRVD 3X D 19-20/07/2032 FRN	EUR	2,000,000.00	2,000,000.00	3.11
TAURS 2018-IT1 C 18-18/05/2030 FRN	EUR	1,083,929.00	1,040,571.84	1.61
			35,435,097.22	55.06
Banks				
ABANCA CORP 19-18/01/2029 FRN	EUR	400,000.00	422,537.60	0.66
BANCO COM PORTUG 17-07/12/2027 FRN	EUR	600,000.00	609,014.40	0.95
BANCO SABADELL 18-12/12/2028 FRN	EUR	200,000.00	220,117.40	0.34
BARCLAYS PLC 19-31/12/2049 FRN	GBP	200,000.00	233,674.56	0.36
BAWAG GROUP AG 18-31/12/2049 FRN	EUR	600,000.00	598,473.60	0.93
CAIXA GERAL DEPO 18-28/06/2028 FRN	EUR	700,000.00	766,334.10	1.19
CAIXABANK 1.375% 19-19/06/2026	EUR	500,000.00	506,926.50	0.79
CRED AGRICOLE SA 14-29/04/2049 FRN	GBP	400,000.00	508,129.67	0.79
ERSTE GROUP 19-31/12/2049 FRN	EUR	600,000.00	635,095.80	0.99
HSBC HOLDINGS 18-31/12/2049 FRN	GBP	400,000.00	469,703.72	0.73
KBC GROUP NV 18-31/12/2049 FRN	EUR	600,000.00	589,323.60	0.92
LLOYDS BK GR PLC 19-31/12/2059 FRN	USD	700,000.00	630,496.31	0.98
NIBC BANK NV 2% 19-09/04/2024	EUR	500,000.00	515,541.50	0.80
RBS NY EX ABN NY 7.125% 93-15/10/2093	USD	250,000.00	304,236.67	0.46
			7,009,605.43	10.89
Insurances				
AMER INTL GROUP 07-15/03/2067 FRN	EUR	350,000.00	283,295.25	0.44
DIRECT LINE INS 17-31/12/2049 FRN	GBP	600,000.00	574,199.69	0.89
PHOENIX GROUP 4.375% 18-24/01/2029	EUR	800,000.00	814,852.80	1.27
			1,672,347.74	2.60
Building and building materials				
BAA SH PLC 3.875% 17-01/03/2027	GBP	400,000.00	437,413.65	0.68
SPIE SA 2.625% 19-18/06/2026	EUR	1,000,000.00	1,026,359.00	1.59
			1,463,772.65	2.27
Internet				
UNITED GROUP 19-15/05/2025 FRN	EUR	500,000.00	505,085.50	0.78
UNITED GROUP 4.875% 19-01/07/2024	EUR	750,000.00	780,244.50	1.22
			1,285,330.00	2.00

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

PALLADIUM FCP

PALLADIUM FCP - CAIRN MEOBANCA STRATA UCITS CREDIT FUND

Securities Portfolio as at June 30, 2019 (continued)

Name	Currency	Quantity/Nominal	Market Value in EUR	% NAV
Entertainment				
ENTERTAINMENT ON 4.625% 19-15/07/2026	GBP	600,000.00	690,072.34	1.07
WILLIAM HILL 4.75% 19-01/05/2026	GBP	400,000.00	450,057.38	0.70
			1,140,129.72	1.77
Other financial services				
LOUVRE BIDCO SAS 19-30/09/2024 FRN	EUR	840,000.00	844,674.60	1.31
			844,674.60	1.31
Distribution, retail trade				
AUTODIS SA 4.375% 16-01/05/2022	EUR	400,000.00	403,771.60	0.63
REXEL SA 2.75% 19-15/06/2026	EUR	500,000.00	523,350.00	0.81
			927,121.60	1.44
Telecommunications				
EIRCOM FINANCE 3.5% 19-15/05/2026	EUR	400,000.00	414,519.60	0.65
MATTERHORN TELE 4% 17-15/11/2027	EUR	400,000.00	399,811.20	0.62
			814,330.80	1.27
Pharmaceuticals, cosmetics, biotechnology				
MERCK 19-25/06/2079 FRN	EUR	300,000.00	311,484.30	0.48
NIDDA HEALTHCARE 3.5% 17-30/09/2024	EUR	400,000.00	414,082.00	0.65
			725,566.30	1.13
Chemical products				
CHEMOURS CO 4% 18-15/05/2026	EUR	500,000.00	502,438.00	0.78
			502,438.00	0.78
Real estate and housing				
IRON MOUNTAIN UK 3.875% 17-15/11/2025	GBP	400,000.00	443,417.80	0.69
			443,417.80	0.69
Software				
PLAYTECH PLC 4.25% 19-07/03/2026	EUR	400,000.00	424,121.60	0.66
			424,121.60	0.66
Packaging and paper industry				
BWAY HOLDING CO 4.75% 18-15/04/2024	EUR	400,000.00	412,720.40	0.64
			412,720.40	0.64
Miscellaneous services				
EUROPCAR MOB 4% 19-30/04/2026	EUR	400,000.00	410,042.80	0.64
			410,042.80	0.64
Construction of machinery and vehicles				
IHO VERWALTUNGS 3.875% 19-15/05/2027	EUR	375,000.00	381,948.00	0.58
			381,948.00	0.58
Total Bonds and other debt instruments			53,892,664.66	83.73
Total Transferable securities admitted to an official exchange listing			53,892,664.66	83.73
Transferable securities dealt in on another regulated market				
Bonds and other debt instruments				
Banks				
CAIXA GERAL DEPO 10.75% 17-31/12/2049	EUR	400,000.00	466,043.60	0.72
CREDIT SUISSE 18-31/12/2049 FRN	USD	600,000.00	568,194.41	0.88
DANSKE BANK A/S 5.375% 19-12/01/2024	USD	800,000.00	760,879.66	1.19
USB REALTY CORP 3.45% 06-29/12/2049 SR	USD	800,000.00	603,600.28	0.94
			2,398,717.95	3.73
Audiovisual				
VIRGIN MEDIA SEC 5% 17-15/04/2027	GBP	500,000.00	576,925.70	0.90
			576,925.70	0.90
Telecommunications				
ALTICE FRANCE 8.125% 18-01/02/2027	USD	500,000.00	462,418.19	0.71
			462,418.19	0.71
Total Bonds and other debt instruments			3,438,061.84	5.34
Total Transferable securities dealt in on another regulated market			3,438,061.84	5.34
Other transferable securities				
Bonds and other debt instruments				
Construction of machinery and vehicles				
NOVEM GROUP 19-15/05/2024 FRN	EUR	313,000.00	320,583.36	0.50
			320,583.36	0.50
Total Bonds and other debt instruments			320,583.36	0.50
Total Other transferable securities			320,583.36	0.50

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

PALLADIUM FCP

PALLADIUM FCP - CAIRN MEDIOBANCA STRATA UCITS CREDIT FUND

Securities Portfolio as at June 30, 2019 (continued)

Name	Currency	Quantity/Nominal	Market Value in EUR	% NAV
Funds				
Undertakings for collective investment				
Open-ended funds				
ICS-EUR ASSTS LIQ-PRM DIST	EUR	5,007,962.67	4,998,447.54	7.77
			4,998,447.54	7.77
Total Undertakings for collective investment			4,998,447.54	7.77
Total Funds			4,998,447.54	7.77
Total Securities Portfolio as at June 30, 2019			62,649,757.40	97.34

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

PALLADIUM FCP

PALLADIUM FCP - CAIRN MEDIOBANCA STRATA UCITS CREDIT FUND

Portfolio breakdown

Country allocation	% of portfolio	% of net assets
Ireland	30.37	29.56
Netherlands	20.09	19.54
Great-Britain	19.61	19.09
France	6.67	6.49
United-States (U.S.A)	3.36	3.27
Italy	3.19	3.11
Portugal	2.94	2.86
Austria	1.97	1.92
Spain	1.83	1.79
Germany	1.67	1.63
Australia	1.52	1.48
Jersey	1.30	1.27
Denmark	1.21	1.18
Canada	1.10	1.07
Belgium	0.94	0.92
Switzerland	0.91	0.88
Man (Isle of)	0.68	0.66
Luxembourg	0.64	0.62
Grand Total	100.00	97.34

Sector allocation	% of portfolio	% of net assets
Asset backed securities	56.56	55.06
Banks	15.02	14.62
Open-ended funds	7.98	7.77
Insurances	2.67	2.60
Building and building materials	2.34	2.27
Internet	2.05	2.00
Telecommunications	2.04	1.98
Entertainment	1.82	1.77
Distribution, retail trade	1.48	1.44
Other financial services	1.35	1.31
Pharmaceutics, cosmetics, biotechnology	1.16	1.13
Construction of machinery and vehicles	1.12	1.08
Audiovisual	0.92	0.90
Chemical products	0.80	0.78
Real estate and housing	0.71	0.69
Software	0.68	0.66
Packaging and paper industry	0.66	0.64
Miscellaneous services	0.64	0.64
Grand Total	100.00	97.34

Top Ten Holdings

Top Ten Holdings	Sector	Market value in EUR	% of net assets
ICS-EUR ASSTS LIQ-PRM DIST	Open-ended funds	4,998,447.54	7.77
CGMSE 2014-3X CR 18-25/01/2032 FRN	Asset backed securities	2,414,784.25	3.75
CGMSE 2017-3X C 17-15/01/2031 FRN	Asset backed securities	2,406,646.88	3.74
BABSE 2018-1X D 18-15/04/2031 FRN	Asset backed securities	2,292,054.72	3.56
HARVT 8X ERR 18-15/01/2031 FRN	Asset backed securities	2,159,159.50	3.35
PRVD 3X D 19-20/07/2032 FRN	Asset backed securities	2,000,000.00	3.11
JUBIL 2015-16X DR 17-15/12/2029 FRN	Asset backed securities	1,945,523.80	3.02
PMF 2019-1B D 19-12/12/2055 FRN	Asset backed securities	1,683,275.16	2.62
BNPAM 2018-1X E 18-15/04/2031 FRN	Asset backed securities	1,451,271.75	2.25
CADOG 12X E 18-15/10/2031 FRN	Asset backed securities	1,447,519.35	2.25

PALLADIUM FCP

Notes to the Financial Statements as at June 30, 2019

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, 2019, the Fund offered the following sub-funds:

- PALLADIUM FCP - CRESCITA PROTETTA, launched on March 17, 2016
- PALLADIUM FCP - CAIRN MEDIOBANCA STRATA UCITS CREDIT FUND, launched on May 14, 2019

The launch date of the sub-funds corresponds to the date of the first NAV calculation.

For the time being, the sub-funds 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.
- Management Class (hereafter "M"): offered to certain investors only including (i) Cairn clients, (ii) persons connected to the Investment Manager and (iii) other investors at the discretion of the Board of Directors of the Management Company in consultation with the Investment Manager.
- Planner Class (hereafter "P"): offered only to investors subscribing via Allfunds Bank S.A.U..

Note 2. Exchange rates as at June 30, 2019

The exchange rates used for the translation of the sub-funds' assets and liabilities not denominated in the reference currency of the sub-funds are as follows:

- 1 EURO (EUR) = 1.136800 US Dollar (USD)
- 1 EURO (EUR) = 0.895780 Great Britain Pound (GBP)

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 Combined financial statements

The various items in the combined financial statements correspond to the sum of the corresponding items in the financial statements of each sub-fund, converted if necessary into EUR at the exchange rates prevailing on the closing date.

3.2 Foreign exchange translation

The accounts of the each 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 each sub-fund. Assets and liabilities expressed in currencies other than the accounting currency of the sub-fund are converted into that currency at the exchange 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.

PALLADIUM FCP

Notes to the Financial Statements as at June 30, 2019 (continued)

Note 3. Significant accounting policies (continued)

3.3 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.

3.4 Valuation of investment portfolio

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

(a) The value of each security and/or financial derivative and/or money market instrument which is quoted or dealt in on any stock exchange is based on its last closing price on the stock exchange which is normally the principal market for such security and/or financial derivative and/or money market instrument known at the end of the day preceding the relevant Valuation Day;

(b) The value of each security and/or money market instrument dealt in on any other Regulated Market is based on its last known closing price which is normally available at the end of the day preceding the relevant Valuation Day;

(c) Shares or units in open-ended investment funds shall be valued at their last available calculated net asset value;

(d) In the event that any assets are not listed or dealt in on any stock exchange or on any other Regulated Market, or if, with respect to assets listed or dealt in on any stock exchange, or other Regulated Market as aforesaid, the price as determined pursuant to sub-paragraph (a) to (c) is not representative of the fair market value of the relevant assets, the value of such assets is based on the reasonably foreseeable sale price determined prudently and in good faith;

(e) 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.

In accordance with the prospectus, the NAVs were calculated using the latest market values and exchange rates known at the time of calculation.

3.5 Valuation of forward foreign exchange contracts

The forward foreign exchange contracts opened at year-end are valued at the forward exchange rate corresponding to the termination date of the contract. Realised gains and losses and net change in unrealised gains and losses are included in the statement of operations and changes in net assets. Unrealised gains and losses are included in the statement of net assets.

3.6 Valuation of swap contracts

Swaps are valued at their fair value based on the underlying asset.

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.

An Interest Rate Swap ("IRS") is an agreement to exchange interest rate cash flows, calculated on a notional principal amount, at specified intervals (payment dates) during the life of the agreement.

A Credit Default Swap ("CDS") is a credit derivative transaction in which two parties enter into an agreement, whereby one party pays the other a fixed periodic coupon for the specified life of the agreement. The other party makes no payment unless a credit event relating to a predetermined reference asset occurs. If such an event occurs, the party will then make a payment to the first party, and the swap will terminate.

PALLADIUM FCP

Notes to the Financial Statements as at June 30, 2019 (continued)

Note 3. Significant accounting policies (continued)

3.6 Valuation of swap contracts (continued)

The unrealised gain / loss on swap contracts is recorded under the item “Net unrealised gain / loss on swap contracts” in the statement of net assets.

The changes in such amounts are included in the statement of operations and changes in net assets under the item “Net change in unrealised gain / (loss) on swap contracts”.

When a contract is closed, the realised gain or loss is recorded under the item “Net realised gain / (loss) on swap contracts” in the statement of operations and changes in net assets. The item “Net realised gain / (loss) on swap contracts” includes also the premium paid or received on swaps contracts.

Note 4. Investment management fees and performance 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, 2019, the annual investment management fees rates per class of units are as follows:

Sub-fund name	Class C	Class I1	Class I4	Class M
PALLADIUM FCP - CRESCITA PROTETTA	1.40%	0.70%	N/A	N/A
PALLADIUM FCP - CAIRN MEDIOBANCA STRATA UCITS CREDIT FUND	1.35%	0.75%	0.50%	None

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 will be reduced to 0.35%.

PALLADIUM FCP - CAIRN MEDIOBANCA STRATA UCITS CREDIT FUND

For the class of units I4, the Investment Manager is entitled to receive a performance fee being a percentage (15%) of the appreciation of the net asset value per unit, subject to a high water mark, calculated and accrued daily on each valuation day and paid at the end of each calendar year i.e. 31 December (the “Performance Period”).

For each Performance Period, the performance fee is equal to 15% of the positive difference between (i) that relevant class net asset value before accrual for performance fee at the end of the Performance Period and (ii) the class high water mark threshold.

The class high water mark threshold is as of a valuation day equal to the higher of:

- (i) the class high water mark: net asset value per unit of the relevant class on the last day of any Performance Period in respect of which a Performance Fee was charged,
- (ii) the net asset value per unit on the date of investment increased by the class hurdle rate (12 month EURIBOR plus 2% for I4).

Note 5. Depositary bank, 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 Depositary bank receives from the Fund, a fee of a maximum of 0.75% per annum. Depositary bank 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.

PALLADIUM FCP

Notes to the Financial Statements as at June 30, 2019 (continued)

Note 6. Subscription Tax

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-funds 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, 2019, 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- Class I	Buy	EUR	14/01/2021	10,287,989.95
Total Return Equity Swap -TRS- Class C	Buy	EUR	14/01/2021	16,424,235.34
				26,712,225.29

The receivable on swaps item in the statement of net assets is mainly composed of the funding cost of the total return swaps for an amount of EUR 27,935,532.04.

The underlying exposure obtained through the total return swap contracts consists of a basket of securities. As at June 30, 2019, the underlying exposure is as follows:

Description	ISIN Code	Class C	Class I	Total
iShares Euro Government Bond 1-3yr UCITS ETF	IE00B14X4Q57	6.79%	6.80%	6.79%
iShares Core Euro Government Bond UCITS ETF	IE00B4WXJJ64	3.26%	3.27%	3.26%
iShares \$ High Yield Corporate Bond UCITS ETF	IE00B4PY7Y77	5.51%	5.52%	5.51%
iShares MSCI Europe UCITS ETF	IE00B1YZSC51	3.33%	3.33%	3.33%
iShares Core S&P 500 UCITS ETF	IE00B5BMR087	3.25%	3.25%	3.25%
iShares S&P 500 EUR Hedged UCITS ETF	IE00B3ZW0K18	7.31%	7.32%	7.31%
iShares Core MSCI Japan IMI UCITS ETF	IE00B4L5YX21	7.67%	7.68%	7.67%
iShares Core MSCI Pacific ex-Japan UCITS ETF	IE00B52MJY50	2.89%	2.89%	2.89%
iShares Core MSCI Emerging Markets IMI UCITS ETF	IE00BKM4GZ66	2.48%	2.49%	2.48%
iShares Dow Jones-UBS Commodity Swap UCITS ETF (DE)	DE000A0H0728	7.36%	7.38%	7.37%
iShares Edge S&P 500 Minimum Volatility UCITS ETF	IE00BYX8XD24	4.76%	4.77%	4.77%
iShares eb.rexx Government Germany UCITS ETF	DE0006289465	8.79%	8.81%	8.80%

As at June 30, 2019, the remaining portion of the basket is composed of options and cash.

Credit Default Swaps

As at June 30, 2019, the sub-fund PALLADIUM FCP - CAIRN MEDIOBANCA STRATA UCITS CREDIT FUND was engaged in Credit Default Swap contracts with Merrill Lynch and JP Morgan.

Underlying	Sell/Buy	Interest rate (%)	Maturity Date	Notional	Unrealised gain / (loss) in EUR
LOXAM SAS 6% 17-15/04/2025	Sell	5.00	20/06/2024	500,000	56,252.08
SMURFIT KAPPA AQ 3.25% 14-01/06/2021	Sell	5.00	20/06/2024	500,000	103,245.30
ITRX XOVER CDSI S31 5Y 20/06/2024	Buy	5.00	20/06/2024	1,000,000	(114,767.00)
ITRX XOVER CDSI S31 5Y 20/06/2024	Buy	5.00	20/06/2024	1,000,000	(114,767.00)
ITRX XOVER CDSI S31 5Y 20/06/2024	Buy	5.00	20/06/2024	2,000,000	(229,534.00)
ITRX EUR SNR CDSI S31 5Y CORP 20/06/2024	Sell	1.00	20/06/2024	2,500,000	45,622.50
ASSICURAZIONI 2.875% 14-14/01/2020	Buy	1.00	20/06/2024	2,500,000	(26,510.47)
ITRX XOVER CDSI S31 5Y 20/06/2024	Buy	5.00	20/06/2024	1,000,000	(114,767.00)
ITRX XOVER CDSI S31 5Y 20/06/2024	Buy	5.00	20/06/2024	2,000,000	(229,534.00)
					(624,759.59)

PALLADIUM FCP

Notes to the Financial Statements as at June 30, 2019 (continued)

Note 7. Financial derivative instruments (continued)

Interest Rate Swaps

As at June 30, 2019, the sub-fund PALLADIUM FCP - CAIRN MEOBANCA STRATA UCITS CREDIT FUND was engaged in Interest Rate Swap contracts with Merrill Lynch.

Underlying	Sell/Buy	Maturity Date	Notional	Unrealised gain / (loss) in EUR
Swap/16/05/2026/P:GBP 1.16600 /R:GBP/LIBOR/6M	Buy	16/05/2026	700,000	(11,058.70)
Swap/20/05/2024/P:EUR -0.01840 /R:EUR/EURIBOR/6M	Buy	20/05/2024	1,200,000	(13,181.13)
Swap/20/05/2022/P:EUR -0.17810 /R:EUR/EURIBOR/6M	Buy	20/05/2022	900,000	(4,577.26)
Swap/20/05/2026/P:USD 2.26380 /R:USD/LIBOR/3M	Buy	20/05/2026	325,000	(7,983.86)
Swap/20/05/2024/P:EUR -0.02110 /R:EUR/EURIBOR/6M	Buy	20/05/2024	950,000	(10,305.06)
Swap/20/05/2029/P:EUR 0.43390 /R:EUR/EURIBOR/6M	Buy	20/05/2029	375,000	(10,214.29)
Swap/20/05/2026/P:EUR 0.15990 /R:EUR/EURIBOR/6M	Buy	20/05/2026	275,000	(4,716.31)
Swap/20/05/2026/P:EUR 0.15750 /R:EUR/EURIBOR/6M	Buy	20/05/2026	600,000	(10,187.82)
Swap/16/05/2024/P:GBP 1.10200 /R:GBP/LIBOR/6M	Buy	16/05/2024	500,000	(5,463.91)
Swap/20/05/2022/P:EUR -0.17810 /R:EUR/EURIBOR/6M	Buy	20/05/2022	700,000	(3,560.09)
Swap/21/05/2026/P:EUR 0.14500 /R:EUR/EURIBOR/6M	Buy	21/05/2026	700,000	(11,258.56)
Swap/21/05/2024/P:EUR -0.03590 /R:EUR/EURIBOR/6M	Buy	21/05/2024	800,000	(8,079.86)
Swap/21/05/2026/P:EUR 0.14680 /R:EUR/EURIBOR/6M	Buy	21/05/2026	400,000	(6,484.62)
Swap/21/05/2024/P:USD 2.19140 /R:USD/LIBOR/3M	Buy	21/05/2024	1,300,000	(22,916.95)
Swap/17/05/2026/P:GBP 1.12300 /R:GBP/LIBOR/6M	Buy	17/05/2026	300,000	(3,746.33)
Swap/21/05/2024/P:USD 2.15170 /R:USD/LIBOR/3M	Buy	21/05/2024	400,000	(6,471.97)
Swap/21/05/2026/P:USD 2.24970 /R:USD/LIBOR/3M	Buy	21/05/2026	300,000	(7,123.20)
Swap/18/06/2024/P:EUR -0.17410 /R:EUR/EURIBOR/6M	Buy	18/06/2024	1,000,000	(2,869.03)
Swap/27/06/2024/P:EUR -0.20860 /R:EUR/EURIBOR/6M	Buy	27/06/2024	1,500,000	(1,897.83)
				(152,096.78)

Forward foreign exchange contracts

As at June 30, 2019, the sub-fund PALLADIUM FCP - CAIRN MEOBANCA STRATA UCITS CREDIT FUND was engaged in forward foreign exchange contracts with BNP Paribas.

Purchased amount	Ccy	Sold amount	Ccy	Maturity date	Unrealised gain / (loss) in EUR
2,027,062.22	EUR	(1,804,377.27)	GBP	17/07/2019	13,973.42
465,993.65	EUR	(526,472.17)	USD	17/07/2019	3,565.46
2,440,487.63	EUR	(2,757,223.88)	USD	17/07/2019	18,672.91
4,754,812.57	EUR	(4,232,467.88)	GBP	17/07/2019	32,776.99
1,877,306.94	EUR	(1,671,073.51)	GBP	17/07/2019	12,941.09
195,396.70	GBP	(219,511.34)	EUR	17/07/2019	(1,512.28)
271,858.22	EUR	(307,141.07)	USD	17/07/2019	2,080.07
577,625.28	EUR	(650,000.00)	USD	17/07/2019	6,699.49
441,161.42	EUR	(500,000.00)	USD	17/07/2019	1,983.06
671,006.59	EUR	(600,000.00)	GBP	17/07/2019	1,603.03
					92,783.24

PALLADIUM FCP

Notes to the Financial Statements as at June 30, 2019 (continued)

Note 8. Collateral

As at June 30, 2019, 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	-
			Cash	26,889,245.08
				26,889,245.08

Note 9. Subsequent events

There were no material events which occurred after the end of the financial year, which would have a bearing on the understanding of the financial statements.

PALLADIUM FCP

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

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”).

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.

The regulation also covers transactions that are commonly referred to as total return swaps (“TRS”).

The Fund only held total return swap contracts as at June 30, 2019.

Global data

As at June 30, 2019 the assets engaged in TRS as an absolute value and as a proportion of NAV were as follows:

	Assets engaged in absolute terms (in EUR)	Assets engaged (NAV %)
PALLADIUM FCP - CRESCITA PROTETTA	26,712,225.29	99.83%

Concentration data

As at June 30, 2019, the Fund has no securities received as collateral in relation to total return swap contracts.

Aggregate transaction data for each type of SFT and TRS

The following table reflects the market values of all collateral received by maturity and currency for TRS as at June 30, 2019. The collateral is solely comprised of cash collateral:

	Open maturity (in EUR)	Total (in EUR)
PALLADIUM FCP - CRESCITA PROTETTA	26,889,245.08	26,889,245.08

As at June 30, 2019, all the collateral received by the Fund was denominated in Euro.

All TRS have the following maturity tenor as detailed in the below table:

	Three months to one year (in EUR)	Total (in EUR)
PALLADIUM FCP - CRESCITA PROTETTA	26,712,225.29	26,712,225.29

The following table reflects the top ten counterparties of TRS as at June 30, 2019, by name of counterparty and gross volume of outstanding transactions:

Counterparty	Country of establishment	TRS (in EUR)
Mediobanca	United Kingdom	26,712,225.29
Total		26,712,225.29

Data on collateral reuse

The Fund does not reuse the collateral.

PALLADIUM FCP

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

Safekeeping of collateral received

As at June 30, 2019, all the collateral received in relation to TRS is held by Mediobanca.

Safekeeping of collateral granted

There was no collateral granted by the sub-funds for TRS as at June 30, 2019.

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

For TRS held, the return, identified as the net realised gain / (loss), net change in unrealised gain / (loss), and interest income received on TRS during the year, is as follows:

	Amount (in EUR)
Interest income received on TRS	-
Net realised gain / (loss) on TRS	1,144,177.64
Net change in unrealised gain / (loss) on TRS	(389,247.67)
Total	754,929.97

For the year ended June 30, 2019, no costs were attributable to the TRS held.