

MANAGEMENT DIRECTION

Management objective

The management objective of the Fund is to achieve performance above or equal to the EONIA over the recommended investment term, through implementation of a decorrelated strategy of the main asset classes, with volatility in the region of 5%.

The AMF would like to remind potential subscribers that the performance and volatility objective, shown in the Management Objective section, is based on the occurrence of market scenarios established by the management company, and does not in any event constitute a guarantee of return or performance or volatility of the mutual investment fund.

Benchmark

The management objective concerns the achievement of an absolute performance, reached through the use of alternative investment strategies described below. The performance of this Fund is not therefore assessed according to changes in a benchmark. However, over a minimum investment horizon of 3 years, the performance of the Fund may be compared, after the event, to the Capitalised EONIA. The EONIA is the benchmark of the money market of the eurozone.

Management strategy

The Management Company seeks to achieve the management objective by implementing alternative management strategies. Allocation of the portfolio between the different strategies and choice of instruments in order to implement those strategies, are carried out by the Management Company, based on expectations and quantitative and qualitative analyses of the relative prices of these instruments. This will depend on market conditions, and on prospects, as the management company assesses these at its discretion, within the framework of the processes described below.

The strategies are implemented in developed countries, as defined by the MSCI Developed Market Index. On a secondary basis, exposure to other geographic zones is authorised on the Fund. The list of the countries making up the index is dynamic - a breakdown of countries is given in the prospectus. Investments concern all sectors and all types of capitalisation of these markets.

The different strategies are grouped into 5 sub-categories:

- Strategies of arbitrage on mergers and acquisitions
- Strategies of arbitrage on conglomerate discounts
- Strategies of arbitrage between different unit categories
- Market Neutral strategies
- Treasury and Foreign Exchange

The sensitivity of bond instruments, which may be used in the context of the strategies listed above, may be between 0 and 10. However, the residual sensitivity of the Fund to this type of instrument shall be between 0 and 1, taking account of the sensitivity of the instruments used by the arbitrage strategies and of the sensitivity of the instruments used in the context of cash.

For the strategy as a whole, the specific instruments used are:

- Convertible bonds: Arbitrage
- Warrants: Arbitrage
- Contingent value rights, subscription warrants: Arbitrage
- OTC stock options: Arbitrage
- CFD (Contract for Difference): Arbitrage
- CDS: Arbitrage, hedging against credit risk

Risk profile

The Fund is a UCITS classified as "Diversified". The investor is therefore mainly exposed to the risks below, this list not being exhaustive.

Management risks

These risks may take concrete form in a drop in the net asset value. These are, in decreasing order of importance:

Taking account of the investment strategy implemented, the main risk taken by the investor will be based on the capacities of the manager of the UCITS to correctly determine the intrinsic value of the companies and to anticipate events which may have a bearing on this, and to correctly assess the risk/return combination of arbitrage situations.

Risk of failure of a merger-acquisition transaction

Evolution of the probabilities of failure (or of success) of a merger-acquisition transaction conditions evolution of the spread on the strategy concerned. In the case of a natural strategy (risk of failure of the deal), abandoning a transaction may result in a significant drop in the target company's share price to its pre-offer level, and possibly an increase in the shares of the predator in the case of a public offer of exchange. Failure of a merger entails, ultimately, losses for the arbitrage strategy. This risk is even greater since the premium on announcement of a takeover bid is significant and since the probabilities of non-realisation of the transaction are high. In the case of "Chinese" strategies (short position on company targeted by an offer and possibly long on the predator), initiated on the basis of expectations of failure of the merger transaction, the risk lies in finalisation of the deal.

Risk associated with the schedule for the transaction

Extension of the deadline for finalisation of a public offer infers a risk on the ex-post profitability of the arbitrage strategy. The Mark to Market valuation of merger-acquisition arbitrage strategies depends on money market conditions. This leads to an interest rate risk.

Public Offer Risk, counter-offer on the predator or overbid on a short position

Intervention on the stock of target companies (long positions) and predators (short positions in the case of a public offer of exchange) entails a Public Offer risk on the hedge (short component) of the strategy. The effects of a public offer or counter-offer on the predator may lead to failure of the arbitrated transaction and/or a risk of loss on the predator (short position in the strategy). "Chinese" positions are, for their part, exposed to a risk of overbid on the level of the offer. In the case of conglomerate arbitrages, the OPA risk is translated by a public offer from the conglomerate on one of its subsidiaries making up the replication basket.

Risk of Conglomerate / Basket correlation and volatility of the Conglomerate/Basket valuation discrepancy

The risk of correlation (Conglomerate /Basket arbitrage strategy) originates from the quality of replication of the holdings held by the Conglomerate. Some positions cannot be replicated exactly, particularly as regards holdings in unlisted companies. This leads to a risk of correlation between the composition of the Conglomerate and the hedge basket.

Risk of correlation between Preferential and Ordinary shares

The risk of correlation relating to strategies of arbitrage on share categories originates from the divergences existing between the two share categories: Preferential and Ordinary. Distinctions between these shares, notably in terms of collection of dividends or voting rights, are translated by movements which are sometimes "un-correlated" between ordinary and preferential shares.

Risk associated with the Market Neutral strategy

Positions taken in the context of the Market Neutral strategy may suffer from the fall in the stock concerned or in the market in general, notably if the expected events do not occur.

Hedging risks

Capital risk

The UCITS does not benefit from any guarantee or protection, so that the capital originally invested might not be returned in full.

Interest rate risk

The evolution of rates has a bearing on the development of merger-acquisition arbitrage strategies, according to the forecast currency of the strategy initiated (notably for takeover bids having a relatively distant maturity).

Dividend risk

An unexpected change in dividend significantly impacts the profitability of the arbitrage strategy.

Loan-borrowing risk

It must be possible for the stocks on which the Fund has a short position to be borrowed at a low interest rate, in order to protect the profitability of the strategy.

Foreign exchange risk

The foreign exchange risk is the risk of the investment currency falling in comparison with the euro portfolio reference currency. Investments made on various currencies entail a foreign exchange risk which must be hedged, which is usually done through interventions on currency forwards. There is however a residual foreign exchange risk which may result in a drop in the NAV in the case of unfavourable evolution of the investment currencies in relation to the Fund benchmark currency.

Market risk

The market risk originates from any residual positions in stocks not contributed to the offer and kept pending a withdrawal offer at a higher price. These positions no longer form the subject of a current offer and are, as a consequence, sensitive to a market risk.

Liquidity risk

The liquidity risk of the portfolio depends on the liquidity of the investment media used: this liquidity risk present in the mutual fund essentially exists on account of OTC positions and, in the case of events which may interrupt the trading of shares on the markets on which they are traded. A stock's lack of liquidity may increase the cost of liquidation of a position and hence affect the net asset value.

Level of use of risk factors

The aim of the strategies implemented is to isolate one or more risk factors of an instrument, for example, to isolate the market risk on a merger-acquisition arbitrage transaction.

In addition to the regulatory ratios, specific limits have been set in place and are reviewed every six months.

Qualitative analysis and rating of strategies

For each of the strategies implemented, a rating is allocated according to identified risk criteria. This rating is revised with each new information impacting one of the risk criteria. This involves making a qualitative assessment of the risk of the transaction.

Diversification constraints

Investment limit per individual strategy

The maximum percentage to invest on each of the individual portfolio strategies is subordinate on its belonging rating class. The higher the qualitative risk of a strategy, the lower its weighting within the portfolio.

Investment limit per rating class

A maximum weighting within the portfolio is given to each rating level.

Investment limits by type of arbitrage

A maximum investment rate is allocated to each type of arbitrage (merger-acquisitions, conglomerate discounts and unit categories and special situations).

Quantitative analysis of strategies implemented

Stress scenarios on merger-acquisition arbitrages

For each strategy, a stress scenario corresponding to a situation of failure of the transaction is calculated, in order to determine the maximum risk incurred. These stress scenarios are then expressed as probabilities in order to define an average risk on any individual strategy and also in terms of the Fund.

Value at Risk on conglomerate and unit category arbitrage and Market Neutral strategy

So as to take into account all correlations relating to the various arbitrages on holding companies, unit categories and Market Neutral strategy, a 1-day 99% VaR is also calculated using an external tool.

Risk monitoring procedure

Market risks and management rules

As a general rule, the manager shall endeavour to limit the market risks borne by the Fund, by implementing the following rules:

Specific risks

The manager envisages limiting the size of each individual position when it is set up;

The manager will fix maximum levels of loss for each of the positions beyond which this will be triggered;

It will also limit the size of the positions on equities which it considers not very liquid, particularly in the case of short positions which will mainly be invested in liquid equities.

Market risks

Sector-based and geographic limitations: the manager will limit the size of allocation of the Fund on each sector (as defined in the Dow Jones Stoxx Market Sectors nomenclature) and on each country;

Checks on net exposure: the manager will continuously check the net exposure of the Fund, both in the case of net long exposure and in the case of net short exposure;

The manager will fix maximum levels of loss for the overall portfolio beyond which the net exposure of the portfolio will be reduced. In turbulent market conditions, it will reduce its net exposure by hedging up to the entirety of its positions, by using appropriate instruments.

Scenario of risk arbitrage or merger-acquisition type strategies

Risk arbitrage strategies, essentially made up in part by strategies of arbitrages on merger-acquisitions, do not come under the market risk.

In fact, the behaviour of the stocks forming the subject of a takeover bid in cash (OPA) or in stocks (OPE) is impacted by the nature and probabilities of success of the transaction.

In the end, the risk inherent in these positions is no longer a market risk but originates from the emergence of any new information which may affect the probabilities of success of the merger-acquisition transaction.

This therefore is an event-based risk, taking material form factually by the rupture of a correlation between two stocks (OPE) or the sudden uncoupling of a stock associated with the abandoning of a cash takeover bid.

Description of the methodology of calculation of risks on merger-acquisition strategies

The risk factors identified on these merger-acquisition strategies are mainly of two types:

- Evolution of the probabilities of failure and of success of merger-acquisition transactions
- The risk of a maximum drop in the case of abandonment or failure of the transaction

Moreover, the diversity of strategies on positions is a factor to be considered when assessing the risk on a series of merger-acquisition positions. Since the issue of risk on these strategies is different, the tools used when assessing risks on these positions are adapted to their specificity and their event-based nature.

For each of the strategies implemented, a rating is allocated according to identified risk criteria. This rating is revised with each new information impacting one of the risk criteria. This involves making a qualitative assessment of the risk of the transaction.

Alongside this qualitative analysis, each merger-acquisition strategy forms the subject of a quantitative analysis aimed at assessing the maximum risk inherent in the position. Thus, a stress scenario corresponding to a situation of failure of the transaction is calculated, in order to determine the maximum risk incurred.

These stress scenarios are then expressed as probabilities in order to define an average risk on any individual strategy and also in terms of the merger-acquisition portfolio.

CHANGE(S) MADE DURING CURRENT HALF-YEAR

From 4 February 2017, the SRRI has been brought to 3 compared to the previous 4.

CHANGE(S) MADE DURING PREVIOUS HALF-YEAR

Since 15 July 2016, for the I unit, the minimum amount of initial subscriptions was reduced to EUR 3,000,000 instead of EUR 10,000,000.

FUTURE CHANGE(S)

Nil.

INFORMATION RELATING TO TRANSPARENCY OF SECURITIES FINANCING TRANSACTIONS AND RE-USE

Between 1 January 2017 and 30 June 2017, the Fund performed neither securities financing transactions nor total return swaps.

Statement of assets

Elements on the statement of assets	Amount on the periodic
Eligible financial securities mentioned in Article L. 214-20 (1)(1) of the Monetary and Financial Code	211,561,963.35
Bank assets	19,000,644.16
Other assets held by the UCI	140,026,207.88
Total assets held by the UCI	370,588,815.39
Financial accounts	-
Financial instruments and Receivables	-100,945,168.10
Total liabilities	-100,945,168.10
Net asset value	269,643,647.29

Changes in net assets

	30/06/2017	30/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012
NET ASSETS						
in EUR	269,643,647.29	286,486,546.36	225,387,972.57	165,571,911.26	85,048,141.86	114,937,365.82
Number of securities						
Category of R units	446,911.5670	540,725.9380	526,901.1440	505,314.2430	293,507.8310	414,675.4570
Category of I units	1,888,124.3940	1,957,917.3940	1,440,046.0000	936,885.0000	470,000.0000	618,923.2130
Unit net asset value						
Category of R EUR units	131.38	130.05	129.19	127.93	123.61	123.30
Category of I EUR units	111.71	110.40	109.24	107.72	103.75	103.09
Unit distribution on net capital gains and losses (including advances)						
in EUR	-	-	-	-	-	-
Unit distribution on result (including advances)						
in EUR	-	-	-	-	-	-
Unit tax credit transferred to bearer (individuals)						
Category of R EUR units	-	-	-	-	-	-
Category of I EUR units	-	-	-	-	-	-
Unit capitalization						
Category of R EUR units	-	-1.66	0.68	4.69	-4.01 ⁽¹⁾	-0.90
Category of I EUR units	-	-0.96	1.02	4.27	-2.95 ⁽²⁾	-0.42

(1) The unit capitalisation from 31 December 2013 is that of the result and the net capital gains or losses.

For previous financial years, the unit capitalization is only that of the result.

(2) The unit capitalisation from 31 December 2013 is that of the result and the net capital gains or losses.

For previous financial years, the unit capitalization is only that of the result.

Securities portfolio

Elements of the securities portfolio	Percentage	
	Net assets	Total assets
Eligible financial securities and money market instruments admitted for trading on a regulated market within the meaning of Article L. 422-1 of the Monetary and Financial Code.	47.26	34.39
Equities	6.10	4.44
ABERTIS INFRASTRUCTURAS A	0.96	0.70
HALDEX AB	0.77	0.56
NXP SEMICONDUCTOR	1.53	1.11
STADA ARZNEIMITTEL	1.92	1.40
ZODIAC AEROSPACE	0.92	0.67
Bonds	-	-
Debt securities	41.16	29.95
BFCM OIS+0.15% 16/11/2017	1.11	0.81
BNP PARIBAS OIS+0.09% 16/02/2018	4.45	3.24

Securities portfolio (continued)

Elements of the securities portfolio	Percentage	
	Net assets	Total assets
BPCE OIS+0.08% 20/06/2018	2.22	1.62
BPCE OIS+0.17 16/11/2017	1.48	1.08
BPCM OIS+0.15% 01/12/2017	1.85	1.35
CD CREDIT INDUSTRI. ET C POS 20170830 OIS0.31	2.60	1.89
CREDIT AGRICOLE CIB OIS+0.08% 16/02/2018	4.45	3.24
CREDIT AGRICOLE SA OIS+0.08% 06/12/2017	3.71	2.70
NATIXIS OIS+0.16% 16/11/2017	1.48	1.08
RABOBANK NERDELAND OIS+0.06% 05/02/2018	3.71	2.70
ROQUETTE FRERES ZCP 05/07/2017	3.71	2.70
SANTANDER COMMERCIAL PAPER ES TAX ZCP 15/12/2017	3.71	2.70
SOPRA STERIA GROUP ZCP 05/07/2017	2.97	2.16
VEOLIA ENVIRONNEMEN ZCP 01/08/2017	1.85	1.35
VICAT ZCP 17/07/2017	1.85	1.35
Eligible financial securities and money market instruments admitted for trading on another regulated market, duly functioning, recognised and open to the public, and with its registered office in a Member State of the European Union or in another State party to the Agreement on the European Economic Area.	-	-
Equities	-	-
Bonds	-	-
Debt securities	-	-
Eligible financial securities and money market instruments admitted for official trading on a stock market of a third country or traded on another market of a third country, regulated, duly functioning, recognised and open to the public, provided that this stock market or this market does not feature on a list drawn up by the Autorité des Marchés Financiers or the choice of this stock market or this market is provided for by law or by regulation or by the articles of association of the UCITS	31.20	22.70
Equities	31.20	22.70
AKORN	1.45	1.05
ALERE	1.70	1.24
BARD (CR) INC	3.42	2.49
BROCADE COMMUNICATIONS SYSTEMS	1.83	1.33
CABELAS	1.23	0.90
DYAX CORP RIGHT	0.00	0.00
FORTRESS INVESTMENT GROUP CL A	0.98	0.72
HUNTSMAN	0.46	0.34
INTRAWEST RESORTS HOLDINGS	0.48	0.35
KATE SPADE & CO	0.49	0.35
KCG HOLDINGS	0.97	0.71
LEVEL 3 COMM	1.35	0.98
LUMOS NETWORKS CORP	1.11	0.81
MOBILEYE N V	1.94	1.41
MONEYGRAM INTERNATIONAL INC	0.48	0.35
MONSANTO	0.52	0.38
NORD ANGLIA EDUCATION INC	1.46	1.06
ONEBEACON INSURANCE GP CLASS A	0.95	0.69

Securities portfolio (continued)

Elements of the securities portfolio	Percentage	
	Net assets	Total assets
PANERA BREAD-A	0.48	0.35
PAREXEL INTERNATIONAL CORP	0.48	0.35
REYNOLDS AMERICAN INC	2.98	2.17
SANDVINE CORPORATION	0.54	0.39
STAPLES INC	0.49	0.36
SWIFT TRANSPORTATION CL A	1.03	0.75
SYNERON MEDICAL	0.39	0.28
VCA ANTECH INC	2.07	1.51
VTTI ENERGY PARTNERS LP	0.96	0.70
WEST CORP	0.48	0.35
WHOLE FOODS MARKET	0.48	0.35
Bonds	-	-
Debt securities	-	-
The newly issued securities mentioned in Article R.214-11(1)(4) of the Monetary and Financial Code	-	-
Equities	-	-
Bonds	-	-
Debt securities	-	-
Other assets: These are the assets mentioned in II of Article R. 214-11 of the Monetary and Financial Code	9.63	7.01
Variable capital UCI	9.63	7.01
OFI RS LIQUIDITES	4.69	3.41
OFI RS MONETAIRE	4.94	3.60
Equities	-	-
Bonds	-	-
Debt securities	-	-

Indication of movements occurring in the composition of the securities portfolio, during the reference period

Elements of the securities portfolio	Movements (in amount)	
	Acquisitions	Purchase and sale
Eligible financial securities and money market instruments admitted for trading on a regulated market within the meaning of Article L. 422-1 of the Monetary and Financial Code.	160,212,438.21	187,262,697.10
Equities	42,180,554.56	38,262,502.65
Bonds	-	-
Debt securities	118,031,883.65	149,000,194.45
Eligible financial securities and money market instruments admitted for trading on another regulated market, duly functioning, recognised and open to the public, and with its registered office in a Member State of the European Union or in another State party to the Agreement on the European Economic Area.	-	-
Equities	-	-
Bonds	-	-
Debt securities	-	-

Indication of movements occurring in the composition of the securities portfolio,
during the reference period (continued)

Elements of the securities portfolio	Movements (in amount)	
	Acquisitions	Purchase and sale
Eligible financial securities and money market instruments admitted for official trading on a stock market of a third country or traded on another market of a third country, regulated, duly functioning, recognised and open to the public, provided that this stock market or this market does not feature on a list drawn up by the Autorité des Marchés Financiers or the choice of this stock market or this market is provided for by law or by regulation or by the articles of association of the UCITS	137,503,133.21	110,912,687.59
Equities	137,503,133.21	110,912,687.59
Bonds	-	-
Debt securities	-	-
The newly issued securities mentioned in Article R.214-11(1)(4) of the Monetary and Financial Code	-	-
Equities	-	-
Bonds	-	-
Debt securities	-	-
Other assets: These are the assets mentioned in II of Article R. 214-11 of the Monetary and Financial Code	32,072,842.68	34,131,161.68
Variable capital UCI	32,072,842.68	34,131,161.68

Promoters: OFI ASSET MANAGEMENT - 22 rue Vernier - 75017 Paris
Management Company: OFI ASSET MANAGEMENT - 22 rue Vernier - 75017 Paris
Depository and Custodian: SOCIETE GENERALE - 29 Boulevard Haussmann - 75009 Paris
Administrative and accounts management: SOCIETE GENERALE - 29 Boulevard Haussmann - 75009 Paris

ADDITIONAL INFORMATION FOR INVESTORS IN GERMANY

August 2017

OFI Asset Management has notified the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) of its intention to distribute the units of the Fund OFI RISK ARB ABSOLU in the Federal Republic of Germany and has been authorized to distribute the units in the Federal Republic of Germany upon completion of the notification procedure.

Paying and Information Agent

Bremer Kreditbank AG, a bank established under the laws of Germany, having its registered office at Wachtstrasse 16, 28195 Bremen, registered with the Bremen Trade Registry, number HRB 4188, has undertaken the function of Paying and Information Agent for the Fund in the Federal Republic of Germany (the "German Paying and Information Agent")

Information and Documents

For unit-holders resident in Germany, the following documents are available for inspection in hard copy, free of charge and upon request at the German Paying and Information Agent:

- Prospectus
- Key Investor Information Documents
- Articles of Incorporation
- The latest annual report, and the most recent semi-annual report, if published thereafter
- Custody and Administration Agreements
- Paying Agency Agreement

Any other information to the Shareholders will be sent to the Shareholders by post. The issue, redemption and conversion prices of shares will be published on the website: www.ofi-am.fr. Additionally, communications to investors in Germany will be published in a durable medium, further to the requirements of Article 167 of the German Investment Code in the following cases: suspension of the redemption of the shares, termination of the management of the fund or its liquidation, any amendments to the Articles of Incorporation which are inconstant with the previous investment principles, which affect material investor rights or which relate to remuneration and reimbursement of expenses that may be paid or made out of the asset pool, merger of the fund with one or more other funds and the change of the fund into a feeder fund or the modification of a master fund.

Applications for the redemption and conversion of shares may be sent to the German Paying and Information Agent. All payments to investors, including redemption proceeds and potential distributions, may, upon request, be paid through the German Paying and Information Agent.