

OFI Risk Arb Absolu I

Monthly Factsheet - Absolute Return - february 2018



OFI Risk Arb Absolu is an investment vehicle that benefits from arbitrage opportunities created by inefficiencies in the valuation of companies that are in the process of a public merger offer. This fund also invests in holding company and share class discounts and long/short strategies.

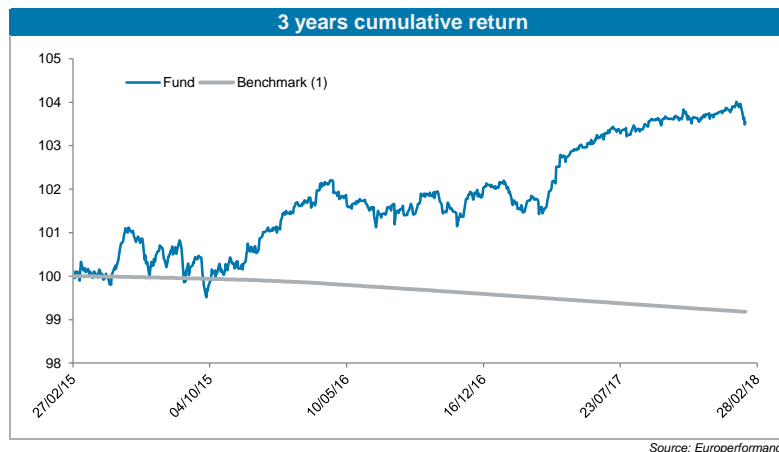
Key Figures as of 28/02/18

| | |
|-----------------------------------|--------|
| Net Asset Value (EUR): | 112,08 |
| Net Assets of the unit (EUR M): | 243,58 |
| Total Net Asset (EUR M): | 293,00 |
| Number of strategies: | 48 |
| Gross investment ⁽²⁾ : | 54% |

Characteristics

| | |
|------------------------------------|---|
| ISIN Code : | FR0011025188 |
| Ticker : | OFIRKXL FP Equity |
| AMF classification: | Mixed Fund |
| Europe performance classification: | Absolute Return |
| Benchmark ⁽¹⁾ : | Compounded EONIA |
| Main risks: | Uncertainties inherent in M&A deals Cyclicality of M&A portfolio Strategy less favourable in a high interest rate environment No capital guarantee |
| Management Company: | OFI ASSET MANAGEMENT |
| Fund manager(s): | Fabienne Cretin - Stéphane Dieudonné |
| Legal form: | French FCP (Mutual Fund, UCITS IV) |
| Distribution policy: | Capitalisation |
| Currency: | EUR |
| Inception date of the fund: | 12/03/2004 |
| Inception date of the unit: | 25/03/2011 |
| Recommended investment horizon: | Over 3 years |
| Valuation: | Daily |
| Subscription cut-off: | D at 12h |
| Redemption cut-off: | D at 12h |
| Settlement: | D+2 |
| Subscription fees: | None |
| Redemption fees: | None |
| Outperformance fees: | 20% above benchmark + 2% |
| Ongoing charge: | 0,79% |
| Custodian: | SOCIETE GENERALE PARIS |
| Administrative agent: | SOCIETE GENERALE SECURITIES SERVICES |

(1) Compounded EONIA
(2) Sum of long positions.



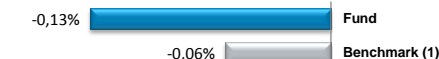
Risk Profile

Level : 1 2 3 4 5 6 7

Monthly return



YTD return



Return & Volatility

| | Since inception (cum.) | | 3 years (cum.) | | 1 year | | YTD | | 6 months | 3 months |
|-----------------------|------------------------|--------|----------------|--------|--------|--------|--------|--------|----------|----------|
| | Return | Volat. | Return | Volat. | Return | Volat. | Return | Volat. | Return | Return |
| OFI Risk Arb Absolu I | 12,08% | 2,09% | 3,63% | 1,22% | 1,86% | 0,88% | -0,13% | - | 0,15% | -0,01% |
| Benchmark (1) | 0,30% | 0,05% | -0,84% | 0,01% | -0,36% | 0,00% | -0,06% | - | -0,18% | -0,09% |

Source: Europerformance

Monthly returns

| | Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. | Year | Benchmark |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|--------|-----------|
| 2013 | -2,81% | 0,82% | 0,70% | 0,19% | 0,35% | 0,22% | 0,19% | 0,06% | 0,45% | 0,09% | 0,23% | 0,20% | 0,64% | 0,09% |
| 2014 | 0,15% | 0,50% | -0,12% | 0,63% | 0,78% | 0,28% | 0,10% | 0,21% | 0,13% | 0,03% | 0,55% | 0,51% | 3,83% | 0,10% |
| 2015 | 0,01% | 0,39% | -0,04% | 0,06% | 1,04% | -1,02% | 0,43% | -0,16% | -0,60% | 0,58% | 0,05% | 0,68% | 1,41% | -0,11% |
| 2016 | 0,43% | 0,17% | 0,42% | -0,26% | -0,05% | -0,23% | -0,01% | 0,05% | 0,37% | -0,43% | 0,27% | 0,32% | 1,06% | -0,32% |
| 2017 | -0,40% | 0,06% | 0,20% | 0,77% | 0,24% | 0,31% | 0,07% | 0,11% | 0,12% | 0,06% | -0,02% | 0,12% | 1,66% | -0,36% |
| 2018 | 0,16% | -0,29% | | | | | | | | | | | -0,13% | -0,06% |

Source: Europerformance

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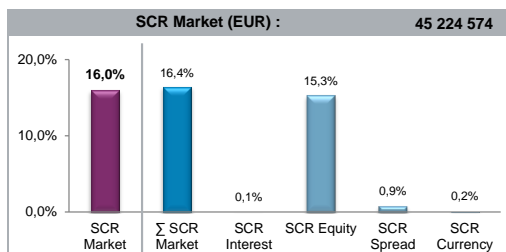


Top 5 Holdings

| Name | Weight |
|-----------------|---------------|
| BUWOG AG | 3,94% |
| CAVIUM | 3,00% |
| REFRESCO GROUP | 2,95% |
| ORBITAL ATK INC | 2,19% |
| ABERTIS | 1,98% |
| TOTAL | 14,07% |

Source: OFI AM

Solvency Capital Requirement ⁽³⁾



(3) Quarterly data as of 29/12/2017

Source: OFI AM

Asset Management Strategy

Performance analysis:

OFI Risk Arb Absolu lost 29 bps in February 2018. Main gains in the month:

- **Sky:** the share price rose sharply after Comcast outbid **21st Century Fox**. Comcast offered 1,250p per Sky share, 16% higher than Fox's offer of 1,075p per share. The market expects Fox to make another counter-offer.
- **NXP Semiconductors:** **Qualcomm** raised its offer from \$110 to \$127.5 per share to complete the takeover of NXP, and announced that it had secured the support of several leading shareholders.

These gains were wiped out in particular by the following:

- **Akorn:** buyer **Fresenius** ordered an investigation into a potential data integrity issue in Akorn's new product development process, and appears to be looking for legal arguments to pull out of the deal or secure a price cut. Akron shares, which were trading around 10% below Fresenius's offer price, fell almost 40%. At these levels, and in the absence of any further news, we are maintaining our position: we think the risk/reward ratio is attractive even in the event of a price cut.
- **General Growth Properties:** the share, which had been trading at a premium pending a sweetened offer from Brookfield, suffered in a particularly turbulent market in February.

More generally, our portfolio was adversely affected by the sharp equity market decline in February. This was driven by a fairly classic phenomenon whereby an equity market downturn can cause risk arbitrage discounts to widen across the board without calling into question the probability of success of M&A transactions in progress.

Market overview:

Volatility returned to most asset classes in February – not only to equities and credit but also to our strategy, through two specific events.

First, the bad news on **Akorn** reminded investors that M&A deals in the healthcare sector often carry a particularly high level of risk right through to conclusion, especially when the buyer is paying a high premium (46% in Akorn's case). Other deals in the sector that left arbitrageurs with a bad taste in the mouth include **Alere/Abbott** in 2016 and **St Jude Medical/Abbott** in 2017.

Second, the good news of the bidding war that is raging over Sky confirms that companies continue with their external growth plans even when market conditions are more turbulent. More generally, M&A activity remained buoyant, with 16 new deals announced in February.

Investment decisions:

We added four new deals in February, and nine deals completed. The fund's investment ratio, which we increased sharply in January, stood at 53.9% at the month-end. Diversification also remained satisfactory, with 48 strategies in the portfolio.

Outlook and exposure:

We have adopted a cautious profile since the beginning of the year, with an investment ratio well below our risk limits and an emphasis on diversification. Renewed market volatility in February and the Akorn incident have confirmed this positioning. We think the rest of 2018 will continue in the same vein, with phases of turbulence alternating with quieter periods. With this in mind, we are maintaining our cautious approach.

SCR Informations

The **aggregate SCR** represents the total of all underlying risks. It does not take into account the effects of diversification.

The **SCR Market** represents the capital requirement taking into account the various risk factors (cf. correlation matrix arising from Delegated Regulation 2015/35).



Main positions set up and unwound on the month

Main set up

| Name | Weight |
|----------------|--------|
| TDC | 0,98% |
| SIRTEX MEDICAL | 0,97% |
| CSRA | 0,60% |
| SAETA YIELD SA | 0,48% |

Source: OFI AM

Main unwound

| Name | Weight |
|----------------------------|--------|
| ZODIAC AEROSPACE | 2,47% |
| NETS | 2,26% |
| AXIA REAL ESTATE SOCIMI SA | 2,20% |
| BROADSOFT INC | 1,47% |
| EULER HERMES | 0,86% |

Source: OFI AM

Main mergers announced during the month

| Target | Acquirer | Target sector | Size (EUR M) | Country |
|------------------------------|-----------------------|----------------------------|--------------|----------------|
| QUALCOMM INC | BROADCOM LTD | INFORMATION TECHNOLOGY | 81 381 | UNITED STATES |
| RELX NV | RELX PLC | INDUSTRIALS | 36 807 | UNITED KINGDOM |
| BLUE BUFFALO PET PRODUCTS IN | GENERAL MILLS INC | CONSUMER STAPLES | 5 344 | UNITED STATES |
| CSRA INC | GENERAL DYNAMICS CORP | INFORMATION TECHNOLOGY | 4 390 | UNITED STATES |
| TDC A/S | PRIVATE EQUITY | TELECOMMUNICATION SERVICES | 4 365 | DENMARK |

Sources: Bloomberg & OFI AM

Fabienne Cretin - Stéphane Dieudonné

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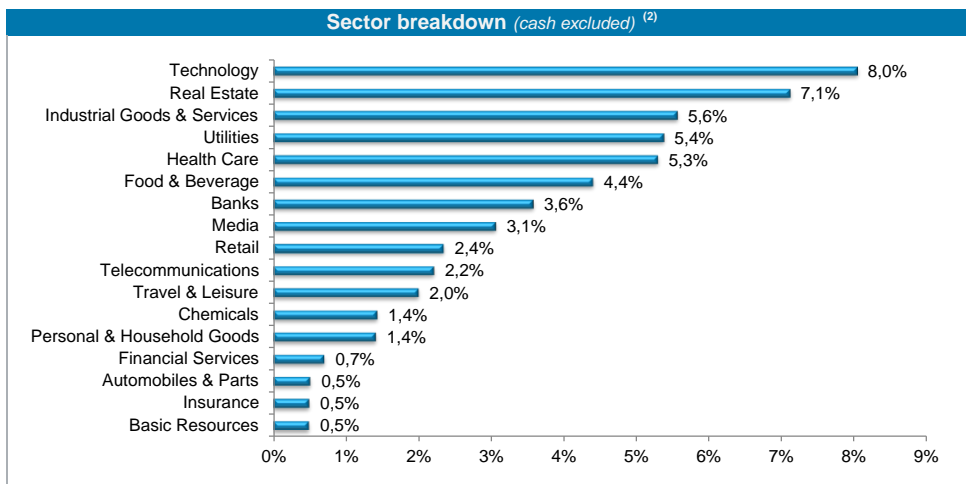


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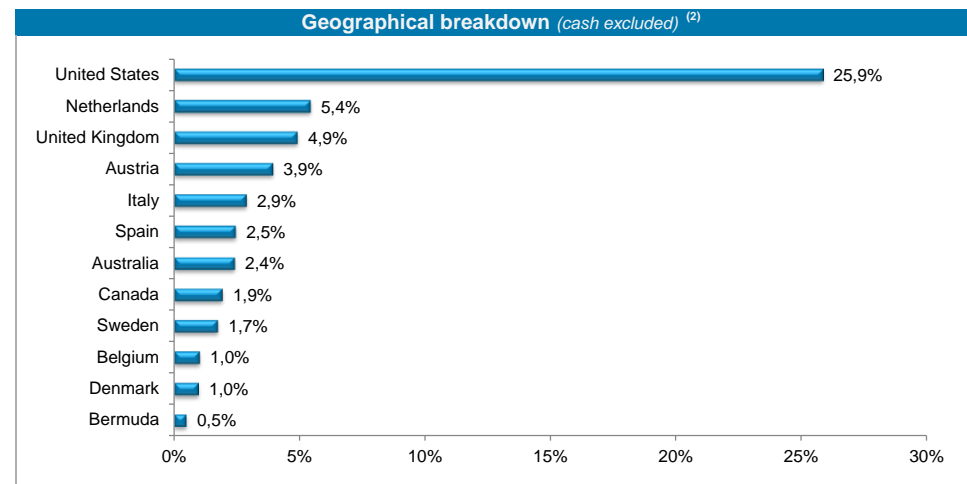


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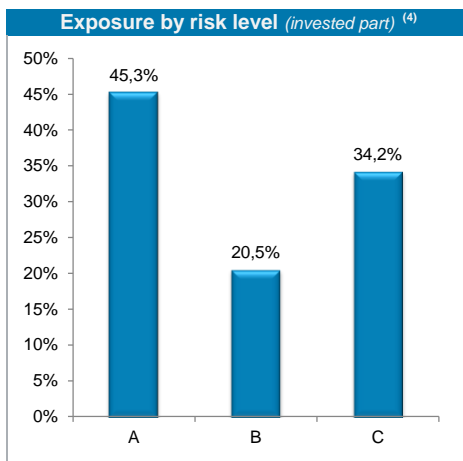
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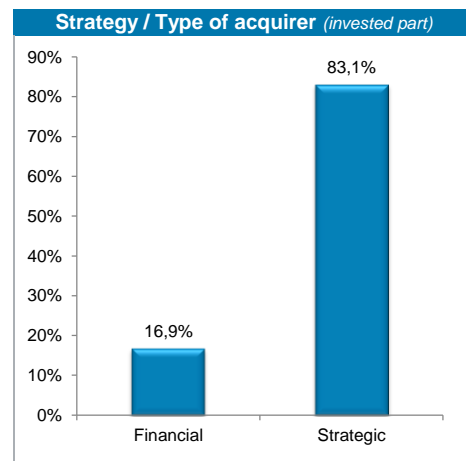
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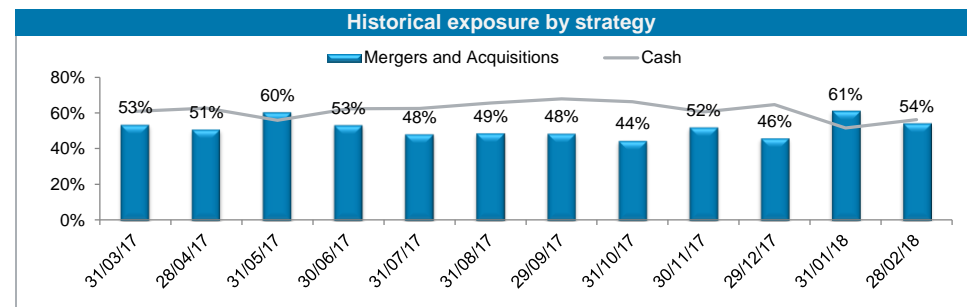
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Statistical Indicators (weekly)

| Sharpe ratio ⁽³⁾ | Frequency of profit | Worst drawdown | Drawdown period | Payback period |
|-----------------------------|---------------------|----------------|-----------------|----------------|
| 2,61 | 62,75% | -0,45% | 2 week(s) | - |

Source: Europerformance

(2) Sum of long positions.

(3) Risk free rate: EONIA

(4) A, B and C: internal ratings representing the degree of risk inherent in a deal with A: least risky deals and C: most risky.

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