

# Annual Report 2016

**Investment Company under Luxembourg Law (SICAV)**

**R.C.S. Luxembourg N° B 166 082**

**Audited annual report as of 31 December 2016**

Corundum Diversity SICAV

Corundum Diversity SICAV – Corundum Stability Fund



# Audited annual report as of 31 December 2016

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## Sales restrictions

Shares of this Company may not be offered, sold or distributed within the United States of America.

In Switzerland, the subfunds of the Company (the “subfunds”) will only be available to so-called “qualified investors” in accordance with the private placement exemptions set forth by article 3 of the Swiss law on Collective Investment Schemes (“CISA”).

# Management and Administration

Annual Report as of 31 December 2016  
Corundum Diversity SICAV

## Registered Office

33A, avenue J.F. Kennedy,  
L-1855 Luxembourg  
R.C.S. Luxembourg N° B 166 082

## Board of Directors

*Enrico Zanollo*, Chairman  
Granite Investment AG  
Zurich

*Martin Rausch*, Director  
Pharus Management Lux S.A.  
Luxembourg

*Lidia Palumbo*, Director  
Pharus Management Lux S.A.  
Luxembourg

## Distributor and Management Company

Pharus Management Lux S.A.  
16, avenue de la Gare  
L-1610 Luxembourg

## Depository and main paying agent

UBS Europe SE, Luxembourg Branch,  
33A, avenue J.F. Kennedy,  
L-1855 Luxembourg

## Central Administration

UBS Fund Services (Luxembourg) S.A.,  
33A, avenue J.F. Kennedy,  
L-1855 Luxembourg

## Investment Manager

Pharus Management S.A. (until 2 May 2016)  
7, Via Pollini  
CH-6850 Mendrisio

Pharus Management Lux S.A. (since 3 May 2016)  
16, avenue de la Gare  
L-1610 Luxembourg

## Auditor of the Company

PricewaterhouseCoopers, Société coopérative  
2, rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg

The sales prospectus, the KIID, the articles of association of the Company, the annual and semi-annual reports as well as the portfolio movements of the Company mentioned in this publication are available free of charge at the sales agencies and at the registered office of the Company.

## Information for Investors in Switzerland

All subfunds of Corundum Diversity SICAV qualify as foreign open-ended Collective Investment Schemes pursuant to article 119 para. 1 Swiss law on collective investment schemes ("CISA") as amended. Those subfunds will not be authorized for distribution to non-qualified investors in and from Switzerland and their shares will only be offered to qualified investors pursuant to article 10 para. 3 CISA or sold in accordance with the exemptions set forth by article 3 para. 2 CISA.

*Representative agent*  
Pharus Management S.A.  
7, Via Pollini  
CH-6850 Mendrisio

*Paying agent*  
UBS AG  
Aeschenplatz 6,  
4002 Basel and Bahnhofstrasse 45, 8090 Zurich,  
Switzerland

The relevant legal documents are available free of charge from the representative agent in Switzerland.

# Features of the Company

Annual Report as of 31 December 2016  
Corundum Diversity SICAV

Corundum Diversity SICAV (hereafter called the "Company") is an investment company qualifying as a "société d'investissement à capital variable" (SICAV) and set up as an Umbrella Fund with the possibility to launch multiple subfunds under the laws of the Grand Duchy of Luxembourg, which envisages to invest in transferable securities and in other liquid financial assets referred to in article 41, paragraph (1) of the 2010 Law, as amended in accordance with the investment policy of each particular subfund. The Company complies with the requirements of the UCITS Directive 2009/65/EC.

The Company is characterised by an "umbrella construction" which comprises several specific pool of assets known as "subfunds" for each of which various classes of shares may be issued.

The Company was incorporated on 19 December 2011 as an open-end investment company under Luxembourg law in the legal form of a limited company (société anonyme) having the status of an investment company with variable capital (Société d'investissement à capital variable) in accordance with Part I of the Luxembourg law relating to undertakings for collective investment enacted on 17 December 2010, as amended.

Following the extraordinary general meeting of shareholders held on 16 March 2015, PHARUS MANAGEMENT LUX S.A., a chapter 15 management company and having its registered office at 16, Avenue de la Gare, L-1610 Luxembourg has been appointed to act as the management company of the Fund (the "Management Company").

The Management Company is a company incorporated in Luxembourg as a "société anonyme" on 3 July 2012 for an indefinite duration and registered in the Luxembourg Commercial Register under Number B 169 798. Its registered capital is set at three-hundred fifty thousand euro (EUR 350 000) divided into three hundred and fifty (350) registered shares, with a nominal value of one thousand euro (EUR 1 000), each fully paid up.

The Board of Directors reserves the right to launch new subfunds at any time. The particulars and investment policy of such subfunds are to be communicated through a revised Prospectus. Furthermore, the investors may be informed through a newspaper announcement, if deemed appropriate by the Board of Directors. In compliance with the regulations laid down in the prospectus, the Board of Directors reserves the right to liquidate or to merge certain subfunds.

As per 31 December 2016, the following subfund is active:

Corundum Diversity SICAV	Currency of the subfund
– Corundum Stability Fund	USD

The entirety of the subfund's net assets forms the total net assets of the Company, which at any time correspond to the share capital of the Company and consist of fully paid in and non-par-value shares.

The financial year of the Company starts on the first of January and ends on the thirty first of December.

The ordinary general meeting shall be held each year on the 20<sup>th</sup> day of April at 11.30 hours a.m. at the registered office of the Company or at any address specified in the notice of meeting. If the 20<sup>th</sup> day of April happens to be a holiday, the ordinary general meeting shall be held on the following day, which is open for business in Luxembourg.

The shareholder has the right to one vote per share held, irrespective of the difference in value of shares in the respective subfunds. Shares of a particular subfund carry the right of one vote per share held when voting at meetings affecting this subfund.

The Board of Directors of the Company draws the investors' attention to the fact that any investor will only be able to fully exercise its investor rights directly against the Company, (notably the right to participate in general shareholders' meetings - if the investor is registered himself and in its own name in the shareholders' register).

In cases where an investor invests in the Company through an intermediary investing into the Company in his own name but on behalf of the investor, it may not always be possible for the investor to directly exercise certain shareholder rights. Investors are therefore advised to take external advice on their rights in this respect.

Only the information contained in the sales prospectus and in one of the documents referred to therein shall be deemed to be valid.

The annual and semi-annual reports are available free of charge to shareholders at the registered office of the Company and the Depositary.

No subscription may be accepted on the basis of the financial reports. Subscriptions are accepted only on the basis of the current prospectus accompanied by the latest annual report and the latest semi-annual report if available.

The figures stated in this report are historical and not necessarily indicative of future performance.



To the Shareholders of

## **Corundum Diversity SICAV**

We have audited the accompanying financial statements of Corundum Diversity SICAV, which comprise the statement of net assets and the statement of investments in securities and other net assets as at 31 December 2016 and the statement of operations and the statement of changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

### *Responsibility of the Board of Directors of the SICAV for the financial statements*

The Board of Directors of the SICAV is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements and for such internal control as the Board of Directors of the SICAV determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Responsibility of the "Réviseur d'entreprises agréé"*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the SICAV, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Corundum Diversity SICAV as of 31 December 2016, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

### *Other information*

The Board of Directors of the SICAV 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 audit report 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.

Luxembourg, 14 March 2017

PricewaterhouseCoopers, Société coopérative  
Represented by

A handwritten signature in black ink, consisting of a large, stylized 'V' followed by several vertical strokes.

Valérie Piastrelli



# Investment Manager Report

Annual Report as of 31 December 2016  
Corundum Diversity SICAV

## Assets Under Management

AUM 30.12.2015 160 382 410.04 USD  
AUM 30.12.2016 175 977 744.80 USD

The total AUM for the period starting from 1 January 2016 until 31 December 2016 has grown driven by net inflows and performance.

## Corundum Stability Fund

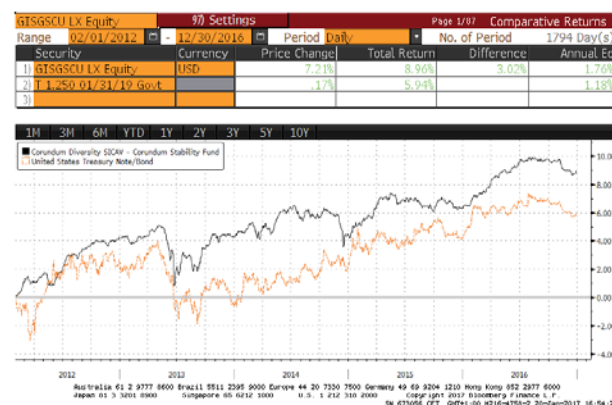
The following chart illustrates the subfund performance of 8.90% since launch date of 31 January 2012.

Average life shows 2 years with a volatility of 1.15% per year; the actual rating has been maintained to A-.

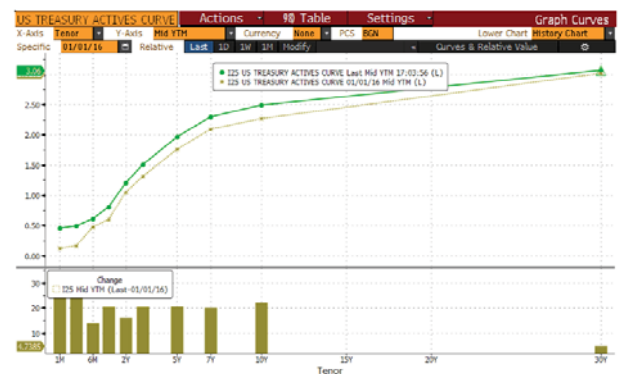


We compared the return of the subfund with the US Treasury 1.25% 31 January 2019 which has a similar duration.

The price variation of the Treasury was 0.17%, for a total return of 5.94%. (Chart with Corundum Stability Fund compared to US Treasury performance)



Year to date the US government 10 years' curve remained quite stable at 2.5%, moving up from 1 January 2016 valuation at 2.28%, following the actual economic situation.



## January

The start of 2016 has certainly been challenging as far as financial markets are concerned. Stocks globally have witnessed a pronounced sell off led by Emerging Markets. Expectations of more European Central Bank and Bank of Japan "Quantitative Easing" are again the drivers. But further rounds are diminishing returns, due to some combination of valuation and positioning or offsetting global factors. US Treasuries remain lower in yield after last statement suggesting that U.S. Officials are prepared to raise interest rates only slowly; the FED is unlikely to take action though it may change the tone of its inflation assessment, acknowledge market volatility and uncertain global conditions. These developments have been a boon for safe havens with 10 years US Treasury yields falling from 2.3% below 2% in this first month of the year.

## February

The fundamentals have not much changed. Last year the markets witnessed soft growth, tightening financial conditions and falling inflation leaving the U.S. Fed with little direction for a rate hike. The central banks in Europe, Japan and other emerging markets will continue to ease. The economic data particularly related to manufacturing and consumer spending is low. Inflation expectations in the emerging markets remain sluggish. Crude oil, rallied after Saudi Arabia and Russia suggested they will maintain a high oil production. There are reasons which lead to uncertainties that this agreement can correct the excess supply. First, it is not clear that the agreement will hold, since

Iran has refused on capping production. Second, Iraq and Saudi Arabia had already increased production and Russia is also close to its maximum production capacity.

### **March**

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### **April**

The actual economic environment is characterized by uncertainty and low growth; investors are seeking a haven from volatility in stocks and commodities. Fixed-Income assets also performed with the ECB's stimulus efforts that are contributing to the purchasing that's pushing yields lower. ECB said that it would expand its monthly bond buying to 80 billion euros and made corporate debt eligible for the program. The favorable backdrop is a result of falling government borrowing brought on by austerity measures and increased bond buying by central banks, which have gobbled up assets since the financial crisis to support economic growth and ward off deflation. The outcome would ease concern that the Federal Reserve's push to raise interest rates will drive up yields and choke off economic growth.

### **May**

In line with a drop noted in the preceding month, a report on consumer confidence in the U.S.A. released showed that the negative tendency is developing. A strong US\$ currency and poor global demand has hurt exports while upcoming presidential election also is contributing to domestic economic uncertainty. A rate hike in June or July isn't set in stone, but labor

numbers suggest they're possibly pulling the trigger. Therefore, consumers remain cautious about the outlook for business and labor market conditions. The European Central Bank expanded the size of its debt buying program in April by a third to 80 billion euros a month and appears to be running out of securities eligible under its own rules. The bond fund continues to favor diversification and remains in liquid bond classes

### **June**

The outcome of the Brexit vote came as a big surprise to global markets. Over the past trading days, we have seen increases in sovereign debt prices and declines in the value of the British pound. The vote also opens up the possibility of many more challenges and uncertainties. Over the next few months and years, we will learn a lot more about how Brexit will be negotiated and how those negotiations will affect the U.K. and European economies. Traders push also back expectations for any near-term rate increase by the Fed in the United States of America. Volatility is expected to remain elevated for a longer time. U.S. Treasury bonds could continue to surge because growth and inflation show only few signs of increasing. The bond fund continues to favor diversification and remains in liquid bond classes.

### **July**

The fundamentals of the market are slowly deteriorating, which should result in further speculative selling. Still, the macro will play a key role in price fluctuations so investors pay a close attention to Fed rhetoric, which should have an impact on overall risk-sentiment. Earnings growth is likely to disappoint again, and US companies are expensively valued in fundamental terms. There will be also an only limited potential for additional positive impetus from the central banks. The markets seem to have already priced in numerous positive factors and developments in summer; which means that the risk of a setback is growing. The coming month of September has also generally been more volatile in the past, which is seen as a reason for caution.

### **August**

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### **September**

The world is slowly getting accustomed to lower growth. This is particularly true in the West. Monetary policy is the only game in town. Although the Fed is signaling another hike by year-end, many participants doesn't expect this to materialize. The rump of the FOMC wants to hike rates so much it hurts. But try as it might, the circumstances in which to move continue to elude the Fed. Nine months after saying it thought it could push through four hikes in 2016, the outcome of last week's meeting means the Fed may just be able to squeeze in one hike at the end of the year. In the U.K., there is no doubt that uncertainty has increased and that business investment is likely to be a major drag on U.K. economic growth.

### **October**

While the Fed kept interest rates unchanged after a two-day meeting this week, futures indicate a 78 percent chance of a rate hike by year-end, up from 69 percent last week and investors will be on the further lookout for any hints the authority may give. The yield on U.S. Treasuries due in a decade fell to 1.80 percent, after touching a five-month high of 1.88 percent. It's unlikely the rate will climb too far past 2 percent anytime soon given how the American economy is performing. The Fed, the closeness of the US election, and Oil's unravelling due to a change in the inventory cycle and OPEC agreement doubts – are all impacting markets, and doing so in the same way, with the prevailing view that none of these factors are correctly or fully priced by markets.

### **November**

Following Donald Trump's election as the next US president, long-term yields have moved up due to the possibility of aggressive fiscal easing. The Fed is due to meet on December 13-14 and participants do not expect to see a strong sell reaction, as the markets have mostly priced in the prospect of a rate hike of 25 bps to 0.50-0.75 percent. Other factors to dictate fund flows will be the policies of the new U.S. president and the Fed's Dot Plot for 2017-2018. Donald Trump will assume the presidency on Jan. 20, a political change that could draw funds into the U.S. and thus strengthen the USD while weakening other currencies. Trump has already said he intends to cut the corporate tax rate to a maximum of 15 percent and to terminate the Trans-Pacific Partnership within the first 100 days of his presidency.

### **December**

The US Fed raised key interest rates by 25 basis points to between 0.50% and 0.75% on 14th December. The Federal Open Market Committee (FOMC) stated that the inflation expectations have increased and forecast a steeper path for borrowing costs. Fed officials also indicated that they could hike the fed funds target rate three times next year. Americans became more optimistic about the economy in December since the postelection bump in confidence continues. As data suggest the US consumer confidence reached its highest as Americans expect more strength ahead in business conditions following the election of Donald Trump in November. Economists follow confidence indicators because upbeat consumers are more likely to increase personal spending, which makes up most of the US economy.

# Corundum Diversity SICAV

## – Corundum Stability Fund

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### Three-year comparison

Date	ISIN	31.12.2016	31.12.2015	31.12.2014
Net assets in USD		175 977 744.80	160 382 410.04	154 252 074.19
<b>Class B CHF-hedged<sup>1</sup></b>	<b>LU1226366406</b>			
Shares outstanding		16 015.0000	20 015.0000	-
Net asset value per share in CHF <sup>2</sup>		98.74	98.19	-
<b>Class C USD</b>	<b>LU0722037982</b>			
Shares outstanding		1 357 550.1280	1 331 355.3250	1 324 484.1290
Net asset value per share in USD <sup>2</sup>		107.25	104.64	102.81
<b>Class D EUR-hedged</b>	<b>LU0776891847</b>			
Shares outstanding		263 094.9700	171 244.9700	147 429.9700
Net asset value per share in EUR <sup>2</sup>		103.86	102.73	101.39

<sup>1</sup> First NAV: 1.6.2015

<sup>2</sup> See note 1

### Structure of the Securities Portfolio

Geographical Breakdown as a % of net assets	
United States	35.43
Supranationals	8.55
Netherlands	6.28
Cayman Islands	5.70
Germany	5.66
India	4.88
Canada	2.84
Ireland	2.64
South Korea	2.27
Luxembourg	2.04
British Virgin Islands	1.96
Hong Kong	1.71
Austria	1.20
Japan	1.14
United Arab Emirates	1.14
China	1.14
Oman	0.85
Sweden	0.57
Bermuda	0.30
Switzerland	0.29
Panama	0.28
<b>Total</b>	<b>86.87</b>

Economic Breakdown as a % of net assets	
Countries & central governments	27.20
Finance & holding companies	17.64
Banks & credit institutions	17.41
Supranational organisations	8.55
Miscellaneous services	3.99
Telecommunications	3.97
Energy & water supply	2.85
Miscellaneous unclassified companies	1.24
Pharmaceuticals, cosmetics & medical products	1.16
Petroleum	1.16
Internet, software & IT services	0.57
Biotechnology	0.57
Insurance	0.29
Retail trade, department stores	0.27
<b>Total</b>	<b>86.87</b>

## Statement of Net Assets

	USD
<b>Assets</b>	<b>31.12.2016</b>
Investments in securities, cost	154 193 395.63
Investments in securities, unrealized appreciation (depreciation)	-1 317 399.32
Total investments in securities (Note 1)	152 875 996.31
Cash at banks, deposits on demand and deposit accounts	23 610 664.29
Interest receivable on securities	862 991.20
Interest receivable on liquid assets	2.95
Unrealized gain (loss) on forward foreign exchange contracts (Note 1, Note 9)	-1 133 688.84
<b>Total Assets</b>	<b>176 215 965.91</b>
<b>Liabilities</b>	
Provisions for management fees (Note 2)	-150 573.22
Provisions for administration fees (Note 2)	-6 956.96
Provisions for directors fees (Note 2)	-22 997.15
Provisions for depositary fees (Note 2)	-5 507.06
Provisions for taxe d'abonnement (Note 3)	-21 604.24
Provisions for audit fees, legal and economic advice (Note 2)	-9 546.33
Provisions for other commissions and fees (Note 2)	-21 036.15
Total provisions	-238 221.11
<b>Total Liabilities</b>	<b>-238 221.11</b>
<b>Net assets at the end of the financial year</b>	<b>175 977 744.80</b>

## Statement of Operations

	USD
<b>Income</b>	<b>1.1.2016-31.12.2016</b>
Interest on liquid assets	6 599.60
Interest on securities	3 355 834.17
<b>Total income</b>	<b>3 362 433.77</b>
<b>Expenses</b>	
Management fees (Note 2)	-1 379 420.08
Administration fees (Note 2)	-80 669.02
Directors fees (Note 2)	-46 637.79
Depositary fees (Note 2)	-63 968.95
Taxe d'abonnement (Note 3)	-83 920.39
Audit fees, legal and economic advice (Note 2)	-22 740.33
Other commissions and fees (Note 2)	-61 667.78
Interest on cash and bank overdraft	-909.71
Other expenses	-418.38
<b>Total expenses</b>	<b>-1 740 352.43</b>
<b>Net income (loss) on investments</b>	<b>1 622 081.34</b>
<b>Realized gain (loss) (Note 1)</b>	
Realized gain (loss) on market-priced securities without options	410 737.72
Realized gain (loss) on forward foreign exchange contracts	57 154.55
Realized gain (loss) on foreign exchange	-278 818.47
<b>Total realized gain (loss)</b>	<b>189 073.80</b>
<b>Net realized gain (loss) of the financial year</b>	<b>1 811 155.14</b>
<b>Changes in unrealized appreciation (depreciation) (Note 1)</b>	
Unrealized appreciation (depreciation) on market-priced securities without options	1 806 577.37
Unrealized appreciation (depreciation) on forward foreign exchange contracts	-955 723.46
<b>Total changes in unrealized appreciation (depreciation)</b>	<b>850 853.91</b>
<b>Net increase (decrease) in net assets as a result of operations</b>	<b>2 662 009.05</b>

## Statement of Changes in Net Assets

	USD
	<b>1.1.2016-31.12.2016</b>
Net assets at the beginning of the financial year	160 382 410.04
Subscriptions	17 280 817.01
Redemptions	-4 347 491.30
Total net subscriptions (redemptions)	12 933 325.71
Net income (loss) on investments	1 622 081.34
Total realized gain (loss)	189 073.80
Total changes in unrealized appreciation (depreciation)	850 853.91
Net increase (decrease) in net assets as a result of operations	2 662 009.05
<b>Net assets at the end of the financial year</b>	<b>175 977 744.80</b>

## Changes in the Number of Shares outstanding

	<b>1.1.2016-31.12.2016</b>
<b>Class</b>	<b>B CHF-hedged</b>
Number of shares outstanding at the beginning of the financial year	20 015.0000
Number of shares issued	1 000.0000
Number of shares redeemed	-5 000.0000
<b>Number of shares outstanding at the end of the financial year</b>	<b>16 015.0000</b>
<b>Class</b>	<b>C USD</b>
Number of shares outstanding at the beginning of the financial year	1 331 355.3250
Number of shares issued	48 474.8030
Number of shares redeemed	-22 280.0000
<b>Number of shares outstanding at the end of the financial year</b>	<b>1 357 550.1280</b>
<b>Class</b>	<b>D EUR-hedged</b>
Number of shares outstanding at the beginning of the financial year	171 244.9700
Number of shares issued	104 920.0000
Number of shares redeemed	-13 070.0000
<b>Number of shares outstanding at the end of the financial year</b>	<b>263 094.9700</b>

## Statement of Investments in Securities and other Net Assets as of 31 December 2016

Description	Quantity/ Nominal	Valuation in USD Unrealized gain (loss) on Futures/ Forward Exchange Contracts/ Swaps (Note 1)	as a % of net assets
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### Transferable securities and money market instruments listed on an official stock exchange

#### Notes, fixed rate

<b>USD</b>			
USD ABU DHABI NATIONAL ENERGY CO PJSC-REG-S 2.50000% 12-12.01.18	2 000 000.00	2 001 280.00	1.14
USD ALIBABA GROUP HOLDING LTD 2.50000% 15-28.11.19	5 000 000.00	5 022 480.00	2.85
USD ALIBABA GROUP HOLDING LTD 1.62500% 15-28.11.17	2 000 000.00	1 996 030.00	1.13
USD AMGEN INC 1.25000% 14-22.05.17	1 000 000.00	1 000 101.00	0.57
USD AT&T INC 1.40000% 12-01.12.17	3 000 000.00	2 993 400.00	1.70
USD BHARTI AIRTEL LTD-REG-S 4.37500% 15-10.06.25	1 000 000.00	982 050.00	0.56
USD CANADA, GOVERNMENT 0.87500% 12-14.02.17	5 000 000.00	5 000 250.00	2.84
USD CBQ FINANCE LTD-REG-S 2.87500% 14-24.06.19	520 000.00	521 180.40	0.30
USD COSL FINANCE BVI LTD-REG-S 3.25000% 12-06.09.22	1 500 000.00	1 452 910.50	0.82
USD EUROPEAN INVESTMENT BANK 1.62500% 13-18.12.18	15 000 000.00	15 041 100.00	8.55
USD GAZ CAPITAL SA-REG-S LPN 3.85000% 13-06.02.20	1 000 000.00	1 012 000.00	0.57
USD HYUNDAI CAPITAL AMERICA INC-REG-S 1.45000% 14-06.02.17	1 000 000.00	1 000 170.00	0.57
USD KOREA DEVELOPMENT BANK 1.37500% 16-12.09.19	1 000 000.00	981 570.00	0.56
USD KOREA GAS CORP-REG-S 2.25000% 12-25.07.17	3 000 000.00	3 008 400.00	1.71
USD MYRIAD INTERNATIONAL HOLDINGS BV-REG-S 6.37500% 10-28.07.17	2 000 000.00	2 039 520.00	1.16
USD RHSB CAP SA OJSC RUSSIAN AGCRL BK-REG-S 5.29800% 12-27.12.17	1 000 000.00	1 022 280.00	0.58
USD TENCENT HOLDINGS LTD-REG-S 3.37500% 12-05.03.18	1 000 000.00	1 013 150.00	0.58
USD VIMPELCOM HOLDINGS-REG-S 6.25460% 11-01.03.17	2 000 000.00	2 010 560.00	1.14
<b>Total USD</b>		<b>48 098 431.90</b>	<b>27.33</b>

#### Total Notes, fixed rate

**48 098 431.90 27.33**

#### Notes, floating rate

<b>CHF</b>			
CHF SWISS REINSURANCE CO-SUB 7.250%/FSW5+672BP 12-PRP	500 000.00	511 634.77	0.29
<b>Total CHF</b>		<b>511 634.77</b>	<b>0.29</b>

#### Total Notes, floating rate

**511 634.77 0.29**

#### Medium term notes, fixed rate

<b>EUR</b>			
EUR GAZ CAPITAL SA/GAZPROM LPN-REG-S 3.75500% 12-15.03.17	1 000 000.00	1 060 572.22	0.60
<b>Total EUR</b>		<b>1 060 572.22</b>	<b>0.60</b>
<b>USD</b>			
USD ADCB FINANCE CAYMAN LTD-REG-S 2.75000% 14-16.09.19	500 000.00	498 780.00	0.28
USD NEDERLANDSE WATERSCHAPSBANK NV-REG-S 1.25000% 14-18.09.17	5 000 000.00	4 999 450.00	2.84
USD NESTLE HOLDINGS INC-REG-S 1.37500% 12-21.06.17	6 000 000.00	6 003 300.00	3.41
USD NESTLE HOLDINGS INC-REG-S 2.12500% 14-14.01.20	4 000 000.00	4 001 040.00	2.27
USD NOMURA HOLDINGS INC 2.75000% 14-19.03.19	2 000 000.00	2 015 860.00	1.15
USD SIEMENS FINANCIERINGSMAATSCHAPPIJ-REG-S 1.50000% 13-12.03.18	1 000 000.00	998 220.00	0.57
USD UNION BANK OF INDIA/HONG KONG-REG-S 3.62500% 13-25.10.18	2 000 000.00	2 024 480.00	1.15
USD WHARF FINANCE LTD 4.62500% 12-08.02.17	3 000 000.00	3 007 110.00	1.71
<b>Total USD</b>		<b>23 548 240.00</b>	<b>13.38</b>

#### Total Medium term notes, fixed rate

**24 608 812.22 13.98**

#### Medium term notes, floating rate

<b>EUR</b>			
EUR RAIFFEISEN BANK INTL AG-REG-S 3M EURIBOR+85BP 14-27.07.17	2 000 000.00	2 106 276.68	1.20
<b>Total EUR</b>		<b>2 106 276.68</b>	<b>1.20</b>

#### Total Medium term notes, floating rate

**2 106 276.68 1.20**

#### Bonds, fixed rate

<b>CHF</b>			
CHF ABH FINANCIAL LTD-REG-S 4.00000% 13-16.01.18	1 150 000.00	1 159 787.47	0.66
CHF GLOBAL BANK CORP 3.00000% 14-26.11.18	500 000.00	500 319.77	0.28
<b>Total CHF</b>		<b>1 660 107.24</b>	<b>0.94</b>

<b>USD</b>			
USD BANK MUSCAT SAOG 2.50000% 13-26.03.18	1 500 000.00	1 490 325.00	0.85
USD CITIC SECURITIES FINANCE-REG-S 2.50000% 13-03.05.18	2 000 000.00	2 000 168.00	1.14
USD CK HUTCHISON INTERNATIONAL 16 LTD-REG-S 1.87500% 16-03.10.21	500 000.00	477 765.00	0.27
USD CNPC GENERAL CAPITAL LTD-REG-S 1.95000% 13-16.04.18	2 000 000.00	1 992 320.00	1.13
USD KREDITANSTALT FUER WIEDERAUFBAU 0.87500% 14-15.12.17	10 000 000.00	9 971 040.00	5.67
USD OIL INDIA LTD-REG-S 3.87500% 14-17.04.19	1 000 000.00	1 025 820.00	0.58

Description		Quantity/ Nominal	Valuation in USD Unrealized gain (loss) on Futures/ Forward Exchange Contracts/ Swaps (Note 1)	as a % of net assets		
USD	PSB FINANCE PROMSVYAZBK-REG-S LPN 5.25000% 16-19.10.19	500 000.00	501 875.00	0.29		
USD	ROSNEFT OIL/ROSNEFT INTL FIN-REG-S LPN 3.14900% 12-06.03.17	3 500 000.00	3 495 870.00	1.99		
USD	STATE BANK OF INDIA LONDON-REG-S 4.12500% 12-01.08.17	3 000 000.00	3 032 880.00	1.72		
USD	SUKUK FUNDING NO 3 LTD-REG-S 4.34800% 13-03.12.18	1 000 000.00	1 029 760.00	0.58		
Total USD			25 017 823.00	14.22		
Total Bonds, fixed rate			26 677 930.24	15.16		
Treasury notes, fixed rate						
USD						
USD	AMERICA, UNITED STATES OF 1.50000% 14-31.10.19	20 000 000.00	20 048 440.00	11.39		
USD	AMERICA, UNITED STATES OF 1.87500% 15-31.05.22	23 000 000.00	22 814 919.00	12.97		
Total USD			42 863 359.00	24.36		
Total Treasury notes, fixed rate			42 863 359.00	24.36		
Total Transferable securities and money market instruments listed on an official stock exchange			144 866 444.81	82.32		
Transferable securities and money market instruments traded on another regulated market						
Notes, fixed rate						
USD						
USD	LUKOIL INTERNATIONAL FINANCE BV-REG-S 4.56300% 13-24.04.23	1 000 000.00	1 004 700.00	0.57		
USD	MACYS RETAIL HOLDINGS INC 2.87500% 12-15.02.23	500 000.00	475 848.50	0.27		
USD	STATE BANK OF INDIA LONDON-REG-S 3.25000% 13-18.04.18	1 500 000.00	1 516 251.00	0.86		
USD	TELEFON AB LM ERICSSON 4.12500% 12-15.05.22	1 000 000.00	1 003 548.00	0.57		
Total USD			4 000 347.50	2.27		
Total Notes, fixed rate			4 000 347.50	2.27		
Medium term notes, fixed rate						
USD						
USD	BANK OF AMERICA CORP 2.00000% 13-11.01.18	4 000 000.00	4 009 204.00	2.28		
Total USD			4 009 204.00	2.28		
Total Medium term notes, fixed rate			4 009 204.00	2.28		
Total Transferable securities and money market instruments traded on another regulated market			8 009 551.50	4.55		
Total investments in securities			152 875 996.31	86.87		
Forward Foreign Exchange contracts						
Forward Foreign Exchange contracts (Purchase/Sale)						
EUR	9 842 000.00	USD	10 769 765.97	27.1.2017	-374 155.70	-0.21
EUR	17 639 000.00	USD	19 336 665.56	27.1.2017	-705 475.80	-0.40
CHF	1 573 500.00	USD	1 595 825.60	27.1.2017	-44 636.23	-0.02
USD	183 616.02	EUR	167 600.00	27.1.2017	6 588.56	0.00
EUR	686 800.00	USD	750 250.70	27.1.2017	-24 818.36	-0.01
USD	2 180 249.80	CHF	2 205 000.00	1.2.2017	5 715.03	0.00
USD	3 176 352.27	EUR	2 991 000.00	1.2.2017	16 360.77	0.01
USD	647 962.99	EUR	623 000.00	27.1.2017	-10 080.62	-0.01
USD	16 548.89	CHF	17 000.00	27.1.2017	-210.07	0.00
USD	490 503.47	EUR	467 200.00	27.1.2017	-2 976.42	0.00
Total Forward Foreign Exchange contracts (Purchase/Sale)					-1 133 688.84	-0.64
Cash at banks, deposits on demand and deposit accounts and other liquid assets					23 610 664.29	13.42
Other assets and liabilities					624 773.04	0.35
Total net assets					175 977 744.80	100.00



# Notes to the Financial Statements

Annual Report as of 31 December 2016  
Corundum Diversity SICAV

## **Note 1 – Summary of significant accounting policies**

The financial statements have been prepared in accordance with the generally accepted accounting principles for investment funds in Luxembourg. The significant accounting policies are summarised as follows:

### *a) Calculation of the net asset value*

The net asset value per share of the individual subfunds is calculated for each day which is open for business in Luxembourg by the Administration Agent (hereinafter called "Valuation Day").

In this context, such "business day" refers to the normal bank business day (i.e. each day on which banks are open during normal hours) in Luxembourg, with the exception of individual, non-statutory rest days as well as days on which exchanges in the main countries in which the subfund invests are closed or 50% or more subfund investments cannot be adequately valued.

The net asset value of each subfund will be expressed in the currency of the relevant subfund (except when there exists any state of affairs which, in the opinion of the Board of Directors, makes the determination in the currency of the relevant subfund either not reasonably practical or prejudicial to the shareholders, the net asset value may temporarily be determined in such other currency as the Board of Directors may determine) and shall be determined in respect of any Valuation Day by dividing the total net assets of the subfund by the number of its shares then outstanding.

The net asset value per share of the individual subfunds is calculated on the basis of the last known prices for each day, which is open for business in Luxembourg.

### *b) Valuation principles*

Without prejudice to the regulations of each subfund, the Valuation of each subfund and of each of the different share classes follows the criteria below:

- The value of any cash in hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received is deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof is arrived at after making such discount as may be considered appropriate in such case to reflect the true value thereof.
- Securities, derivatives and other investments listed on an official stock exchange are valued at the last known market prices. If the same security, derivative or other investment is quoted on several stock exchanges, the last available quotation on the stock exchange that represents the major market for this investment will apply.  
In the case of securities, derivatives and other investments where trading of these assets on the stock exchange is thin but which are traded between securities dealers on a secondary market using standard market price formation methods, the Company can use the prices on this secondary market as the basis for the valuation of these securities, derivatives and other investments. Securities, derivatives and other investments that are not listed on a stock exchange, but that are traded on another regulated market which is recognised, open to the public and operates regularly, in a due and orderly fashion, are valued at the last available price on this market.
- Securities and other investments that are not listed on a stock exchange or traded on any other regulated market, and for which no reliable and appropriate price can be obtained, will be valued by the Company according to other principles chosen by it in good faith on the basis of the likely sales prices.
- The valuation of derivatives that are not listed on a stock exchange (OTC derivatives) is made by reference to independent pricing sources. In case only one independent pricing source of a derivative is available, the plausibility of the valuation price obtained will be verified by employing methods of calculation recognised by the Board of Directors and the auditors, based on the market value of the underlying instrument from which the derivative has been derived.
- Units or shares of other undertakings for collective investment in transferable securities ("UCITS") (including subfund(s) of the Fund) and/or undertakings for collective investment ("UCI") will be valued at their last available net asset value as reported by such undertakings. Certain units or shares of other UCITS and/or UCI may be valued based on an estimate of the value provided by a reliable price provider independent from the target fund's investment manager or investment adviser (Estimated Pricing).
- For money market instruments, the valuation price will be gradually adjusted to the redemption price, based on the net acquisition price and retaining the ensuing yield. In the event of a significant change in market conditions, the basis for the valuation of different investments will be brought into line with the new market yields.

- For subfunds that predominantly invest in money market instruments,
  - securities with a residual maturity of less than 12 months are valued in accordance with the ESMA guidelines for money market instruments;
  - interest income earned by subfunds up to and including the second valuation date following the Valuation Date concerned is included in the valuation of the assets of the subfunds concerned. The asset value per share on a given valuation date therefore includes projected interest earnings as at two Valuation Dates hence.
- Securities, money market instruments, derivatives and other investments that are denominated in a currency other than the currency of account of the relevant subfund and which are not hedged by means of currency transactions are valued at the middle currency rate (midway between the bid and offer rate) obtained from external price providers.
- Time deposits and fiduciary investments are valued at their nominal value plus accumulated interest.

The Company is entitled to apply other appropriate valuation principles which have been determined by it in good faith and are generally accepted and verifiable by auditors to the Companies assets as a whole or of an individual subfund if the above criteria are deemed impossible or inappropriate for accurately determining the value of the subfunds concerned due to extraordinary circumstances or events.

As far as possible, all investments and disinvestments decided upon until the Valuation Day will be included in the Net Asset Valuation.

*c) Net realized gain (loss) on sales of securities*

The realized gains or losses on the sales of securities are calculated on the basis of the average cost of the securities sold.

*d) Valuation of forward foreign exchange contracts*

The unrealized gain (loss) of outstanding forward foreign exchange contracts is valued on the basis of the forward exchange rates prevailing at valuation date.

*e) Valuation of financial futures contracts*

Financial futures contracts are valued based on the latest available published price applicable on the valuation date. Realized gains and losses and the changes in unrealized gains and losses are recorded in the statement of operations. The realized gains

and losses are calculated in accordance with the FIFO method, i.e. the first contracts acquired are regarded as the first to be sold.

*f) Conversion of foreign currencies*

Bank accounts, other net assets and the valuation of the investments in securities held denominated in currencies other than the reference currency of the different subfunds are converted at the mid closing spot rates on the valuation date. Income and expenses denominated in currencies other than the currency of the different subfunds are converted at the mid closing spot rates at payment date. Gain or loss on foreign exchange is included in the statement of operations.

The cost of securities denominated in currencies other than the reference currency of the different subfunds is converted at the mid closing spot rate prevailing on the day of acquisition.

*g) Receivable on securities sales, Payable on securities purchases*

The account "Receivable on securities sales" can also include receivables from foreign currency transactions. The account "Payable on securities purchases" can also include payables from foreign currency transactions.

*h) Income recognition*

Dividends, net of withholding taxes, are recognized as income on the date upon which the relevant securities are first listed as "ex-dividend". Interest income is accrued on a daily basis.

## Note 2 – Charges and Expenses

The subfund is subject to a "Global Fee" calculated on the average total net assets of the subfund during the month concerned as shown in the table below:

Corundum Diversity SICAV	Global Fee
– Corundum Stability Fund	max 2.30% p.a.

This "Global Fee" includes the fees to be paid to the Management Company, the Administrative Agent, the Depositary, the Investment Manager being the Management Company. In addition out of the Global Fee the Distribution and/or private placement Agents may be remunerated. The applicable "Global Fee" and the minimum flat fees for the Management Company, the Administrative Agent, the Depositary,

the Investment Manager being the Management Company and the Investment Adviser, if any, are disclosed for each subfund, under "Available subfunds" in the sales prospectus. The Global Fee also covers all the costs incurred by the Fund, respectively the subfunds with the exception of the following:

- Customary brokerage fees, commissions, handling fees and other charges of banks including the Depositary, brokers, exchanges and regulatory fees related to securities trading and settlement and similar transactions;
- costs for extraordinary measures carried out in the interests of the shareholders, such as expert opinions and legal proceedings, etc.;
- minimum annual administration fees of the Management Company, the Administrative Agent, the Depositary, the Investment Manager of the Fund amount for each subfund to a maximum of up to 120.000 EUR charged as further determined under the applicable services agreements with the Fund's agents;
- out of these up to 120.000 EUR
  - a) an annual minimum of 30.000 EUR is charged by the Administrative Agent to the only subfund launched under the SICAV
  - b) an annual minimum fee of 30.000 EUR is charged by the Depositary to the only subfund launched under the SICAV
  - c) an annual minimum fee of 38.500 EUR is charged by the Management Company to the only subfund launched under the SICAV
- the annual directors' fees of the Directors to the Fund and the fees for the Directors insurance which could amount to a maximum of 45.000 EUR;
- all expenses incurred by the relevant subfunds which will include but not be limited to: all taxes which are levied on the net assets and the income of the Fund, particularly the "taxe d'abonnement";
- the reasonable disbursements and out-of-pocket expenses (including without limitation telephone, telex, cable and postage expenses) incurred by the Depositary and other service providers and any custody charges of banks and financial institutions to whom custody of assets of the Fund is entrusted;
- Annual costs of the Administrative Agent for the administration of additional share classes of up to 10.000 EUR for each new share class launched;
- Annual costs of the Administrative Agent for performance fee calculations of up to 10.000 EUR for each share class launched under a subfund applying performance fees;
- usual banking fees due on transactions involving securities or other assets (including derivatives)

held in the portfolio of the Fund (such fees to be included in the acquisition price and to be deducted from the selling price);

- Costs of independent Valuation Agents;
- legal expenses incurred by the Fund or the service providers while acting in the interests of the shareholders; the cost and expenses of preparing and/or filing and printing the Articles and all other documents concerning the Fund (in such languages as are necessary), including registration statements, prospectuses, the KIID and explanatory memoranda with all authorities (including local securities dealers' associations) having jurisdiction over the Fund or the offering of Shares of the Fund; the cost of preparing, in such languages as are necessary for the benefit of the shareholders (including the beneficial holders of the Shares), and distributing annual and semi-annual reports and such other reports or documents as may be required under applicable laws or regulations; the cost of accounting, book-keeping and calculating the Net Asset Value;
- the cost of preparing and distributing notices to the Shareholders; a reasonable share of the cost of promoting the Fund, as determined in good faith by the Fund, including reasonable marketing and advertising expenses; the costs incurred with the admission and the maintenance of the Shares on the stock exchanges on which they are listed (if listed).

The Fund may accrue in its accounts of administrative and other expenses of a regular or recurring nature based on an estimated amount rateably for yearly or other periods.

The expenditure involved in the initial launching and marketing of the Fund, which is estimated to amount to EUR 100.000, as well as the cost of launching new subfunds and other extraordinary expenses may be written off over a period of up to five years. The costs of launching new subfunds will be written off only by the respective subfund. The expenditure involved in establishing the Fund still outstanding may only be written off by the subfunds launched at the same time as the Fund was established.

Fees and expenses that cannot be attributed to one single subfund will either be ascribed to all subfunds on an equal basis or will be prorated on basis of the net asset value of each subfund, if the amount and cause justify doing so.

### Note 3 – Taxe d’abonnement

According to the law and practice currently in force, the Company is not liable to any Luxembourg tax on withholding, income, capital gains or wealth taxes. The Company is, however, liable in Luxembourg to a tax of 0.05% per annum (“Taxe d’Abonnement”) of its net asset value, such tax being payable quarterly on the basis of the value of the net assets of the Company at the end of the relevant calendar quarter or 0.01% per annum for the Classes of shares dedicated to institutional investor as defined from time to time by the Luxembourg laws and regulations.

### Note 4 – Soft commission arrangements

During the period from 1 January 2016 until 31 December 2016, no “soft commission arrangements” were entered into on behalf of Corundum Diversity SICAV and “soft commissions” amount to nil.

### Note 5 – Total Expense Ratio (TER)

This ratio expresses the sum of all costs and commissions charged on an ongoing basis to the net assets (operating expenses) taken retrospectively as a percentage of the net assets.

TER for the last 12 months:

Corundum Diversity SICAV	Total Expense Ratio (TER)
– Corundum Stability Fund B CHF-hedged	1.01%
– Corundum Stability Fund C USD	1.05%
– Corundum Stability Fund D EUR-hedged	1.05%

TER for classes of shares which were active less than a 12 month period are annualised.

Transaction costs and any other costs incurred in connection with currency hedging are not included in the TER.

### Note 6 – Portfolio Turnover Rate (PTR)

The PTR is considered an indicator of the relevance of the additional costs incurred when buying and selling investments. It shows how many security transactions occurred as a result of voluntary investment shifts in relation to the average net assets. Transactions that resulted from uncontrollable subscriptions and redemptions are not included in this rate.

PTR:

Corundum Diversity SICAV	Portfolio Turnover Rate (PTR)
– Corundum Stability Fund	38.79%

### Note 7 – Transaction costs

Transaction costs include brokerage fees, stamp duty, local taxes and other foreign charges if incurred during the fiscal year. Transaction fees are included in the cost of securities purchased and sold.

For the year ended on 31 December 2016, the Company incurred transaction costs relating to purchase or sale of investments in securities and similar transactions as follows:

Corundum Diversity SICAV	Transaction costs
– Corundum Stability Fund	7 724.52 USD

Not all transaction costs are separately identifiable. For fixed income investments, forward currency contracts and other derivative contracts, transaction costs will be included in the purchase and sale price of the investment. Whilst not separately identifiable these transaction costs will be captured within the performance of each subfund.

### Note 8 – Official language

The English version of these financial statements is the authoritative version and only this version was audited by the auditor. However, in the case of Company shares sold to investors from other countries in which Company shares can be bought and sold, the Company and the Depositary may recognize approved translations (i.e. approved by the Company and the Depositary) into the languages concerned as binding upon themselves.

## Note 9 – OTC Derivatives

If the Company enters into OTC transactions, it may be exposed to risks related to the creditworthiness of the OTC counterparties: when the Company enters into futures contracts, options and swap transactions or uses other derivative techniques it is subject to the risk that an OTC counterparty may not meet (or can not meet) its obligations under a specific or multiple contracts. Counterparty risk can be reduced by depositing a security. If the Company is owed a security pursuant to an applicable agreement, such security shall be held in custody by the Depositary in favour of the Company. Bankruptcy and insolvency events or other credit events with the OTC counterparty, the Depositary or within their subdepository/correspondent bank network may result in the rights or recognition of the Company in connection with the security to be delayed, restricted or even eliminated, which would force the Company to fulfil its obligations in the framework of the OTC transaction, in spite of any security that had previously been made available to cover any such obligation.

### OTC-Derivatives\*

Subfund Counterparty	Unrealized gain (loss)	Collateral received
<b>Corundum Diversity SICAV – Corundum Stability Fund</b>		
UBS AG	-1 133 688.84 USD	0.00 USD

\* Derivatives traded on an official exchange are not included in this table as they are guaranteed by a clearing house. In the event of a counterparty default the clearing house assumes the risk of loss.

## 1) Global Exposure

### Risk management

Risk management in accordance with the commitment approach and the value-at-risk approach is applied pursuant to the applicable laws and regulatory provisions.

### Leverage

Leverage is defined pursuant to the applicable ESMA directives as the total of the notional values of the derivatives used by the respective subfund. According to this definition, leverage may result in artificially increased leverage amounts, as some derivatives that can be used for hedging purposes may be included in the calculation. Consequently, this information does not necessarily reflect the precise actual leverage risk that the investor is exposed to.

Subfund	Global risk calculation method
CORUNDUM DIVERSITY SICAV – CORUNDUM STABILITY FUND	Commitment approach

## 2) Remuneration Policy and quantitative disclosure

The Board of Directors of the Management Company has adopted a remuneration policy, the objectives of which are to ensure that the remuneration is in line with the applicable regulations, and more specifically with the provisions defined under (i) the UCITS Directive 2014/91/ EU, the ESMA final report on sound remuneration policies under the UCITS Directive and AIFMD published on 31 March 2016, (ii) the Alternative Investment Fund Managers (AIFM) Directive 2011/61/ EU, transposed into the Luxembourg AIFM Law dated from 12 July 2013, as amended from time to time, the ESMA guidelines on sound remuneration policies under the AIFM published on 11 February 2013 and (iii) the CSSF Circular 10/437 on Guidelines concerning the remuneration policies in the financial sector issued on 1 February 2010.

Such remuneration policy is reviewed at least annually.

The policy promotes a sound and effective risk management environment, is in line with the interests of the investor and discourages risk-taking which is inconsistent with the risk profiles rules or instruments

of incorporation of such Collective Investment in Transferable Securities (UCITS)/Alternative Investment Funds (AIFs).

The policy furthermore fosters compliance with the Management Company's and the UCITS'/AIFs' strategies, objectives, values and interests including measures to avoid conflict of interests.

This approach furthermore focuses amongst others on:

- The assessment of performance which is set in a multi-year framework appropriate to the holding periods recommended to the investors of the sub-funds in order to ensure that the assessment process is based on the longer-term performance of the Fund and its investment risks and that the actual payment of performance-based components of remuneration is spread over the same period.
- The remuneration of all staff members which is appropriately balanced between fixed and variable elements. The fixed component of the remuneration represents a sufficient high proportion of the total remuneration and allows a fully flexible bonus strategy, including the possibility to pay no variable remuneration component. The fixed remuneration is determined by taking into consideration the role of the individual employee, including responsibility and job complexity, performance and local market conditions.

It is also to be noted that the Management Company may, on its own discretion, offer fringe benefits to some employees which are an integral component of the fixed remuneration;

Any relevant disclosures will be made in the annual reports of the Management Company in accordance with the provisions of the UCITS Directive 2014/91/ EU.

Investors can find more details about the up-to-date remuneration policy of the Management Company, including, but not limited to, a description of how remuneration and benefits are calculated, the identity of persons responsible for awarding the remuneration and benefits, including the composition of the remuneration committee (if any), are available on <http://www.pharusmanco.lu/en/documents/documents/>

A paper copy of such document is available free of charge from the Management Company upon request.

### **3) Transparency of securities financing transactions and their reuse**

No securities financing transactions or total return swaps within the meaning of Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 ("SFTR") were used in the investment fund's financial year. As a result, no disclosures within the meaning of Article 13 of said Regulation need to be made to investors in the annual report.