

KITE FUND SICAV

Société d'Investissement à Capital Variable
Annual Report and Audited Financial
Statements as at
December 31, 2016

TABLE OF CONTENTS

DIRECTORS AND ADMINISTRATION	3
GENERAL INFORMATION	4
REPORT ON THE ACTIVITIES.....	5
AUDIT REPORT.....	10
KITE FUND SICAV - TOTAL RETURN.....	11
STATEMENT OF NET ASSETS.....	11
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS.....	12
STATISTICAL INFORMATION AND CHANGES IN THE NUMBER OF SHARES, IN NET ASSETS AND IN NET ASSET VALUE PER SHARE.....	13
STATEMENT OF INVESTMENTS IN SECURITIES AND OTHER NET ASSETS.....	14
GEOGRAPHICAL CLASSIFICATION OF THE INVESTMENTS IN SECURITIES.....	19
ECONOMIC CLASSIFICATION OF THE INVESTMENTS IN SECURITIES	20
NOTES TO THE FINANCIAL STATEMENTS.....	21

DIRECTORS AND ADMINISTRATION

BOARD OF DIRECTORS

Lidia PALUMBO (Chairman)
Pharus Management Lux S.A. - Chief Executive Officer

Stefano FORMENTINI
Wise Consultants S.A. - Director

Roberto FACCHINI
Wise Consultants S.A. - Director

Sante JANNONI
Independent Director

MANAGEMENT COMPANY

Pharus Management Lux S.A.
16, Avenue de la Gare
L-1160 Luxembourg

Board of Directors of the Management Company

Davide BERRA (Chairman)
Davide PASQUALI
Lidia PALUMBO (since June 20, 2016)
Sante JANNONI (until June 20, 2016)

Conducting Persons of the Management Company

Lidia PALUMBO
Martin RAUSCH (since June 15, 2016)
Françoise GOZZO (since June 3, 2016)
Denis GUOLO

CUSTODIAN AND DOMICILIARY AGENT

Edmond de Rothschild (Europe)
20, Boulevard Emmanuel Servais
L-2535 Luxembourg

ADMINISTRATIVE, REGISTRAR, TRANSFER AND PAYING AGENT

Edmond de Rothschild Asset Management (Luxembourg)
20, Boulevard Emmanuel Servais
L-2535 Luxembourg

INVESTMENT MANAGER

Pharus Management S.A. (until June 30, 2016)
Via Pollini 7
CH-6850 Mendrisio (Switzerland)

Pharus Management Lux S.A. (since July 01, 2016)
16 Avenue de la Gare
L-1610 Luxembourg

INVESTMENT ADVISOR

Wise Consultants S.A.
38A Route de Malagnou
CH-1208 Genève (Switzerland)

AUDITOR

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

GENERAL INFORMATION

INFORMATION TO THE SHAREHOLDERS

Notices concerning the SICAV are published in the Mémorial, Recueil des Sociétés et Associations of the Grand Duchy of Luxembourg, in a Luxembourg newspaper and in any newspaper that the Board of Directors deems appropriate.

The current Articles of Incorporation of the SICAV are lodged with the Registrar of the Luxembourg District Court, from whom copies may be obtained.

The issue price and the redemption price of the SICAV's shares are made public at the registered office of the SICAV, where annual and semi-annual reports may be obtained.

Subscriptions cannot be received on the basis of financial reports. Subscriptions are valid only if made on the basis of the current prospectus, supplemented by the last annual report and the most recent semi-annual report if published thereafter.

NET ASSET VALUE PER SHARE

The Net Asset Value of each Class of Shares is calculated, under the overall responsibility of the Board of Directors, on a weekly basis, every Tuesday in Luxembourg

("Valuation day"). In case of legal or bank holiday, the Net Asset Value per Share is calculated the next following bank business day.

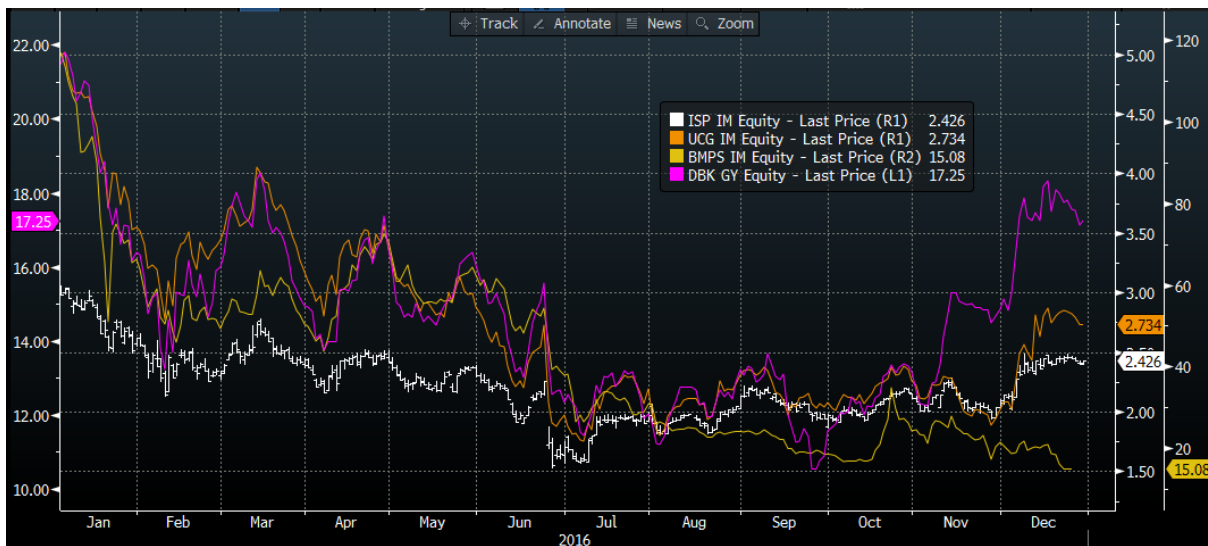
RISK MANAGEMENT

The Sub-Fund employs a "Commitment approach" method to calculate and monitor the global exposure of the Sub-Fund.

REPORT ON THE ACTIVITIES

2016 was a pretty much complicated year with a lot of Macro factors weighting on the different markets during different periods of pronounced volatility. Just to name some of them:

- 1) The crisis of the financial sector at the beginning of the year with Portugal and Italy plus Germany with Deutsche Bank at the centre of the storm.



- 2) The announcement by the ECB of the extension of its purchase program to the Corporate Bonds. (See Iboxx Index below).



REPORT ON THE ACTIVITIES (continued)

- 3) The rise with volatility in oil prices.



- 4) Brexit with the unexpected “Yes” vote materializing. (See GBP vs EUR)



- 5) The Us presidential Elections with another unexpected final outcome and its fall down effects in terms of higher inflation expectations, higher interest rates, stronger USD, strong performance of the Materials, Commodities, Cyclical and Financials names in light of an ongoing reflation trade.

(See SPX and inflation expectations)

REPORT ON THE ACTIVITIES (continued)



- 6) The Italian Referendum with the NO winning and the end of Mr. Renzi government, the worrying situation of the Italian Banking System and the need of a State intervention to prevent financial market disorders.

In the background there was the ongoing transition from an expansive monetary policy regime to a fiscal policy one with the recessive effects of the latter (stronger USD, higher interest rates and higher inflation expectations) already at work.

The Fund managed to recover from the lows of February and coped with the Brexit shock. A more aggressive post Brexit investment policy would have helped to match some benchmark performance. With more details.

It's really difficult to remember in the past to have seen a start of the year as 2016. Even if some sort of relief rally was seen at the end of 2015, all the fears that marked 3rd Q/15 were ready to extend their impact on the New Year. Oil price slides with the correlated commodity crises and disinflationary environment, Chinese Economic slowdown coupled with yuan devaluation and uncertainties related to the US monetary policies were joined by a growing skepticism about financial sector ability to overcome a period of low interest rates, higher NPLs and exposure to troubled sectors like commodities and oil. All main Equity Markets lost between 7% and 10% with Italy down 15%. At the same time core Europe interest rates marked new lows (with Bunds down to 0.30% from 0.60%) with Corporate market Indices at their widest, to highlight a growing sense of distress. Mirroring this difficult market phase, primary market activity that usually found in January the more active month of the year, was down more than 90%.

February saw a continuation of the negative trends we had in place the previous month. The main drivers were still China weak economic signals and US uncertainty concerning their interest rate policy vs some conflicting slow down signals coming from the real economy. To complete the picture, Brexit fears, Oil and commodities low prices, a deflationary environment and the impact of a near-zero interest rate world on the balance sheet of financial institution, all this colluded to bring all risk assets and investor appetite to historic lows. World equities market were down to 2013 levels, corporate bond market experienced a tenuous liquidity in a non-existing primary market, Core Government Bond yields were down to stress levels (10yr Bund at 0.10%). The Fund further reduced the high beta investment to increase the cash and very liquid bonds and to add high quality medium duration corporate bonds to profit of the falling interest rates and their higher stability in spread terms.

March saw a stabilization of the main markets. Fears related to China subsided a bit, BOJ and ECB committed to renewed interventions and the Fed confirmed its low interest rate policy. The reasons to be careful were still in the background (global GDP slowdown, Brexit, Greece and Banks financial viability) but this time the positive factors prevailed, even if not without a good deal of volatility.

REPORT ON THE ACTIVITIES (continued)

The winners were those corporate bonds that Mr. Draghi promised to buy in his extended program. The Fund increased the exposure to good quality corporate names, reduced the equity exposure and kept a conservative approach vs subordinated Bank and Insurance bonds. Part of the effect of the Central Banks' intervention faded at the month end and the upcoming reporting season with low earning expectations suggested to be careful.

In April we were presented with a rather mixed environment. While the negative factors were still there (Brexit, Greece, China, lack of inflation, etc.) the Central Banks tried to instill some confidence: the FED by sending dovish signals, the ECB giving more details on their expanded bond buying program to reinforce their commitment to raise EU inflation. These factors were fully in place in the first part of the month bringing some asset class back to January levels. The positive momentum faded a bit in the second part of the month when the reporting season confirmed those reduced EPS expectations. On the Corporate Bond market a growing primary market activity was well received by investors but prevented the credit spreads to tighten if not causing some widening. Stability characterized the Government Bond Market. The Fund reduced its cash position putting more money to work, hedged nearly all the USD exposure due to high volatile movements, kept the equity allocation at very low levels and selectively added longer duration high quality bonds (with interest rate hedging) and short duration high yield bonds to raise the average portfolio yield.

Mai 2016 saw the markets acting in a twofold pattern. Weakness in the first half with US and European equity markets retesting April lows in light of a rather dull reporting season and the expectation of a hawkish FED and a better end of month with some dovish sings from the FED and the usual positive effect of the ECB rhetoric. Along with these the usual counter active Government Bond market with lower yields level and a weakening EUR vs USD. Credit spreads saw a similar trend with wider spreads with lower equities and a rebound with tightening in the latest days of the month. The Fund increased the average yield of the portfolio via a very active primary market and switches on the secondary bond market. We decided to increase the duration on top quality names and to go down the credit quality curve in a number of small size investment to build a well-diversified portfolio.

June 2016 will be remembered for Brexit and the counterbalancing activity of the various Central Banks. Before the referendum all financial markets experienced a wait and see stance. The exit vote shocked the markets with a 10%-15% cumulated loss in equity markets and a jump of core Govies Bonds with Bunds 10 year at negative yields. Corporate Bonds were hit especially in their banks and financial components while weakness extended to the usual high beta products (peripherals, subordinated and HY). At the end of month, thanks to the role played by Central Banks and some improvement in the banking sector, all risk markets started a slow and gradual recovery. The Fund kept light and hedged positions in equity and cautiously invested in beaten up names in corporate bonds, governments bonds and selected high yield, in a mix of quality and yield. Maybe in this phase we should have had more gut for risk.

Summer was a very quiet month with stability in fixed income markets and equities. The economic outlook was mixed with good recovery signs followed by sudden corrections (see NFP's). Investors privileged stability over other themes and the hunt for yield continued, postponing the fundamental value assessment in presence of a renewed Central Banks support.

September 2016 was characterized by the long wait for the three Central Banks decisions. At the end there weren't real news (just BoJ decided to move from an inflation target to a yield target) and a bit of disappointment from ECB's decision not to expand their buying program. Equity markets moved in a narrow range with some new weakness in the financial sector in the second half of the month. More volatility was witnessed in the Fixed Income market with fears of interest rate increases sending Government Bonds down and credit spreads up. Waiting on the Corporate Bond market was also the very active primary market. The Fund preferred a short term trading stance on the equity market, in fixed income we took part of the primary market activity and slightly increased the positions on secondary market.

October marked the return of a global uneasiness across markets. Main reasons were the upcoming US Presidential Election, the Italian Reform referendum, the aftermath of the Brexit on the political side, and a growing anxiety with respect to the rate policy in the US and the effectiveness of the expansive monetary policies in EU on the financial side. All this uncertainty did not find its way to the usual safe heavens (Government Bonds and safe currencies), instead a pronounced sell-off hit the fixed income market with unspecified fears of QE tapering. Nevertheless more signs of improvement came from the real economy and some upticks on the inflation side were noted. While equity markets traded sideways (only to show more weakness at the month end), the global fixed income suffered a real rout with core Europe yields quickly reversing from -0.14% to +0.18%. The real winner was the USD that appreciated vs all other currencies. We kept a light equity exposure, selectively added in the safe part of the Investment Grade Bonds and in the BB High Yield Bonds exposure, adding some more interest rate hedging. The reporting season, the unclear US election outcomes and a renewed apprehension for the Italian banking sector, are introducing us to a complex and interesting end of year.

REPORT ON THE ACTIVITIES (continued)

The main event of this month was clearly the US Presidential Election. Mr. Trump's victory didn't cause the expected sell-offs in global markets. On the opposite, we had a rally in US equity and USD while the real impacted ones were interest rates with renewed expectations of reduced monetary policy support coupled with increasingly expansionary fiscal policy. We assisted to heavy intersector rotations with defensive names under pressure and financials and cyclicals recovering. There was a certain sell-off in low yielding bonds (Govies and Corporates) linked to a bearish curve steepening and a run to reduce duration, looking for shelter in high yields short to medium maturity. Ahead of this potential binary event we kept long USD positions, reduced the average duration, hedged more interest rate exposure and increased the allocation to higher yielding bonds.

After the US Presidential Elections, all markets were bracing for the Italian Referendum and again the feared result sparked a rally instead of a rout. Probably many investors were positioned flat to short and the closing of these positions was pretty violent. The other main theme was the reflation trade after Mr. Trump's election with Materials, Commodities and Cyclicals over performing. While the expectations were high and the positive effects of an expansive fiscal policy to be seen, the stronger USD and the rising interest rates after the FED's decision were real and the future of this rally is more uncertain. The ECB took its part in the rally confirming and extending the bond purchasing program. The Fund reduced the exposure on IG Bonds with low yield and long duration, switching to shorter maturities in HY and Hybrid Bonds, hedged more USD exposure around the period highs, hedged more interest rate exposure and increased the US equity exposure while keeping a reduced EU equity position.

Luxembourg, January 10, 2017

The Board of Directors

Note: Indications and comparisons are historical and are not necessarily an indication of future results.

Audit report

To the Shareholders of
KITE FUND SICAV

We have audited the accompanying financial statements of KITE FUND SICAV, which comprise the statement of net assets and the statement of investments in securities and other net assets as at December 31, 2016 and the statement of operations and 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 KITE FUND SICAV as of December 31, 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

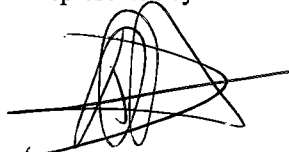
The Board of Directors of the SICAV is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our audit report thereon.

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, March 17, 2017

PricewaterhouseCoopers, Société coopérative
Represented by



Emmanuel Chataignier

STATEMENT OF NET ASSETSDecember 31, 2016
(in EUR)**ASSETS**

Portfolio:	(see notes)	
- Cost		74,496,201.85
- Net unrealised result		2,821,866.17
		77,318,068.02
Cash:		
- Cash at sight		4,754,623.59
- Cash at broker	(see notes)	712,609.11
- Margin deposits		170,000.00
Other assets:		
- Receivable on subscriptions		43,036.00
- Interest receivable		735,124.47
- Dividend receivable		4,356.54
- Formation/reorganisation expenses, net	(see notes)	10,780.84
- Unrealised gain on futures	(see notes)	888.84
- Unrealised gain on forward foreign exchange contracts on currencies	(see notes)	30,624.52
		83,780,111.93

LIABILITIES

Other liabilities:		
- Taxes and expenses payable		163,064.40
- Unrealised loss on futures	(see notes)	344,054.28
- Unrealised loss on forward foreign exchange contracts on currencies	(see notes)	103,372.48
		610,491.16

NET ASSETS **83,169,620.77**

Represented by:

773,785.942 Shares of category Class A with a value of EUR 107.48 per share

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended December 31, 2016
(in EUR)

NET ASSETS AT THE BEGINNING OF THE YEAR		82,266,703.26
INCOME		
Income from investments:		
- Dividends, net		32,461.42
- Bond interest, net	(see notes)	1,870,821.43
Other income		52,258.33
		1,955,541.18
EXPENSES		
Bank interest, net		13,393.64
Fees:		
- Management fee	(see notes)	1,190,956.01
- Custodian fee and safekeeping charges	(see notes)	135,988.67
Other expenses:		
- Annual tax	(see notes)	40,526.58
- Amortisation of formation/reorganisation expenses	(see notes)	13,991.67
- Audit and legal fees		30,778.16
- Transaction fees	(see notes)	108,626.75
- Administration and other expenses		80,358.33
		1,614,619.81
NET OPERATING RESULT		340,921.37
Net realised result on:		
- Sales of investments	(see notes)	(1,347,941.09)
- Foreign exchange		(176,958.87)
NET REALISED RESULT		(1,183,978.59)
Change in net unrealised appreciation/(depreciation) on:		
- Investments		866,932.69
- Forward foreign exchange contracts on currencies		3,839.02
- Futures		(306,465.30)
NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS		(619,672.18)
MOVEMENTS IN CAPITAL		
Subscriptions of shares		4,686,875.42
Redemptions of shares		(3,164,285.73)
		1,522,589.69
NET ASSETS AT THE END OF THE YEAR		83,169,620.77

The notes are an integral part of these financial statements.

STATISTICAL INFORMATION

Year ended December 31, 2016

SHARES

	Class A
Shares outstanding at the beginning of the year	759,682.556
Subscriptions of shares	43,789.566
Redemptions of shares	(29,686.180)
Shares outstanding at the end of the year	773,785.942

NET ASSET VALUE PER SHARE

	EUR
Highest	108.27 09.06.16
Lowest	104.61 02.16.16
At the end of the year	107.48

**CHANGES IN THE NUMBER OF SHARES,
IN NET ASSETS AND
IN NET ASSET VALUE PER SHARE**

Date	Share Class	Number of shares outstanding	Net Assets	Ccy	Net asset value per share
12.31.14	Class A	665,202.055	72,656,413.15	EUR	109.22
12.31.15	Class A	759,682.556	82,266,703.26	EUR	108.29
12.31.16	Class A	773,785.942	83,169,620.77	EUR	107.48

STATEMENT OF INVESTMENTS IN SECURITIES AND OTHER NET ASSETS

December 31, 2016

(in EUR)

Quantity or Face Value	Description	Ccy	Cost	Value per security	Market value (see notes)	% of net assets
TRANSFERABLE SECURITIES AND MONEY MARKET INSTRUMENTS ADMITTED TO AN OFFICIAL STOCK EXCHANGE OR DEALT IN ON ANOTHER REGULATED MARKET						
EQUITIES						
ISRAEL						
10,000.00	MELLANOX TECHNOLOGIES LTD	USD	400,178.97	40.90	387,769.61	0.47
	TOTAL ISRAËL		400,178.97		387,769.61	0.47
ITALY						
300,000.00	TELECOM ITALIA SPA	EUR	256,656.00	0.84	251,100.00	0.30
	TOTAL ITALY		256,656.00		251,100.00	0.30
SPAIN						
40,000.00	NH HOTELES SA	EUR	167,643.20	3.85	153,800.00	0.18
	TOTAL SPAIN		167,643.20		153,800.00	0.18
UNITED STATES OF AMERICA						
1,500.00	APPLE INC	USD	129,366.74	115.82	164,712.02	0.20
2,250.00	CARDINAL HEALTH INC	USD	164,509.23	71.97	153,526.90	0.18
5,500.00	CENTENE	USD	294,625.29	56.51	294,671.72	0.35
10,000.00	COTY INC -A-	USD	172,722.21	18.31	173,595.64	0.21
4,500.00	GILEAD SCIENCES INC	USD	321,669.18	71.61	305,517.90	0.37
3,500.00	LAS VEGAS SANDS CORP	USD	189,388.30	53.41	177,231.57	0.21
2,750.00	MEAD JOHNSON NUTRITION CO	USD	186,350.56	70.76	184,489.22	0.22
4,250.00	PHILIP MORRIS INTERNATIONAL INC	USD	351,553.06	91.49	368,648.97	0.45
2,700.00	STERICYCLE INC	USD	186,771.86	77.04	197,210.71	0.24
	TOTAL UNITED STATES OF AMERICA		1,996,956.43		2,019,604.65	2.43
	TOTAL EQUITIES		2,821,434.60		2,812,274.26	3.38
BONDS						
BELGIUM						
400,000.00	BARRY CALLEBAUT SER 2.375 16-24 24/05A	EUR	405,404.00	102.55	410,216.00	0.49
	TOTAL BELGIUM		405,404.00		410,216.00	0.49
BULGARIA						
750,000.00	BULGARIA 1.875 16-23 21/03A	EUR	736,440.00	104.88	786,585.00	0.95
	TOTAL BULGARIA		736,440.00		786,585.00	0.95
CAYMAN ISLANDS						
1,000,000.00	HUTCH WHAMPOA FIN 14 1.375 14-21 31/10A	EUR	1,002,110.37	103.62	1,036,210.00	1.25
	TOTAL CAYMAN ISLANDS		1,002,110.37		1,036,210.00	1.25
COLOMBIA						
200,000.00	COLOMBIA 3.875 16-26 22/03A	EUR	200,000.00	110.78	221,562.00	0.27
	TOTAL COLOMBIA		200,000.00		221,562.00	0.27

The notes are an integral part of these financial statements.

Quantity or Face Value	Description	Ccy	Cost	Value per security	Market value (see notes)	% of net assets
FINLAND						
1,000,000.00	ELENIA FINANCE 2.875 13-20 17/12A	EUR	998,422.25	108.45	1,084,500.00	1.30
	TOTAL FINLAND		998,422.25		1,084,500.00	1.30
FRANCE						
500,000.00	CARREFOUR SA 0.75 16-24 26/04A	EUR	496,070.00	99.22	496,075.00	0.60
500,000.00	CNP ASSURANCES 1.875 16-22 20/10A	EUR	498,595.00	101.67	508,340.00	0.61
250,000.00	CROWN EURO HOLDINGS 2.625 16-24 30/09S	EUR	247,350.00	98.29	245,715.00	0.30
800,000.00	DANONE SA 0.709 16-24 03/11	EUR	799,050.00	99.00	791,992.00	0.95
250,000.00	FAURECIA 3.625 16-23 15/06S	EUR	260,250.00	104.24	260,602.50	0.31
2,000,000.00	FRANCE GOVT 0.25 15-26 25/11A	EUR	1,891,760.00	95.89	1,917,720.00	2.30
200,000.00	GROUPE FNAC SA 3.25 16-23 30/09S	EUR	200,940.00	103.19	206,386.00	0.25
500,000.00	LAGARDERE 2.00 14-19 19/09A	EUR	499,907.25	102.96	514,805.00	0.62
250,000.00	LOXAM SAS 3.50 16-23 03/05S	EUR	254,525.00	99.83	249,562.50	0.30
200,000.00	NEOPOST 2.50 14-21 23/06A	EUR	189,750.00	97.32	194,648.00	0.23
300,000.00	NEXANS 3.25 16-21 26/05A	EUR	315,150.00	105.26	315,792.00	0.38
500,000.00	PEUGEOT SA 2.375 16-23 14/04A	EUR	508,800.00	105.37	526,830.00	0.63
1,000,000.00	RCI BANQUE 1.00 16-23 17/05S	EUR	997,380.00	100.26	1,002,590.00	1.21
	TOTAL FRANCE		7,159,527.25		7,231,058.00	8.69
GERMANY						
300,000.00	ALSTRIA OFFICE REIT 2.125 16-23 12/04A	EUR	302,631.00	105.12	315,348.00	0.38
1,500,000.00	BRD 0.00 16-26 15/08U	EUR	1,476,765.00	98.06	1,470,945.00	1.76
200,000.00	HEIDELBERG CEMENT 1.50 16-25 07/02A	EUR	197,058.00	100.97	201,946.00	0.24
500,000.00	HEIDELBERGCEMENT 2.25 16-24 03/06A	EUR	500,146.00	106.94	534,700.00	0.64
300,000.00	HOCHTIEF 2.625 14-19 28/05A	EUR	298,321.25	104.06	312,189.00	0.38
250,000.00	HORNBAACH BAUMARKT REGS3.875 13-20 15/02A	EUR	248,177.25	109.39	273,482.50	0.33
1,000,000.00	KFW 0.875 14-17 15/12S	USD	794,964.97	99.70	945,238.20	1.14
1,000,000.00	THYSSENKRUPP AG 2.75 16-21 08/03A	EUR	990,125.00	104.59	1,045,910.00	1.26
200,000.00	TUI 2.125 16-21 26/10S	EUR	202,405.00	102.63	205,266.00	0.25
	TOTAL GERMANY		5,010,593.47		5,305,024.70	6.38
GUERNSEY						
1,000,000.00	CREDIT SUISSE GR FDG 1.25 15-22 14/04A	EUR	964,905.00	100.22	1,002,190.00	1.20
	TOTAL GUERNSEY		964,905.00		1,002,190.00	1.20
HONG KONG						
500,000.00	LENOVO GROUP 4.70 14-19 08/05S	USD	368,351.67	104.07	493,334.91	0.59
	TOTAL HONG KONG		368,351.67		493,334.91	0.59
HUNGARY						
300,000.00	MOL HUNGARIAN OIL 2.625 16-23 28/04A	EUR	306,135.00	102.11	306,333.00	0.37
	TOTAL HUNGARY		306,135.00		306,333.00	0.37
IRELAND						
400,000.00	CLOVERIE EMTN 4.75 16-XX 20/01S	USD	358,367.15	91.33	346,372.12	0.42
500,000.00	JOHNSON CONTROLS INTL 1.375 16-25 25/02A	EUR	484,401.00	100.55	502,730.00	0.60
400,000.00	SWISSCOM AG 1.75 15-25 15/09A	EUR	397,752.00	106.64	426,548.00	0.51
	TOTAL IRELAND		1,240,520.15		1,275,650.12	1.53
ITALY						
200,000.00	TELECOM ITALIA SPA 3.00 16-25 30/09A	EUR	199,612.00	100.79	201,588.00	0.24
	TOTAL ITALY		199,612.00		201,588.00	0.24
JERSEY						
250,000.00	ADIANT GLOBAL HOLD 3.50 16-24 15/08S	EUR	251,775.00	101.61	254,032.50	0.31
	TOTAL JERSEY		251,775.00		254,032.50	0.31
LUXEMBOURG						
1,000,000.00	BEI 1.625 16-21 15/06S	USD	917,380.49	97.65	925,792.85	1.11
200,000.00	CIRSA FUNDING 5.875 15-23 15/05S	EUR	200,750.00	106.55	213,108.00	0.26

The notes are an integral part of these financial statements.

Quantity or Face Value	Description		Ccy	Cost	Value per security	Market value (see notes)	% of net assets
500,000.00	GLENCORE FINANCE	1.875 16-23 13/09A	EUR	498,873.00	100.30	501,490.00	0.60
200,000.00	MATTERHORN REGS	3.875 15-22 01/05S	EUR	202,900.00	103.21	206,418.00	0.25
	TOTAL LUXEMBOURG			1,819,903.49		1,846,808.85	2.22
	SINGAPORE						
625,000.00	ADJA INV CO	4.85 14-20 31/01S	USD	464,822.20	100.88	597,742.36	0.72
	TOTAL SINGAPORE			464,822.20		597,742.36	0.72
	SOUTH KOREA						
1,000,000.00	KOREA DEVELOPMENT BAN	2.50 14-20 11/03S	USD	761,749.81	99.75	945,740.69	1.14
	TOTAL SOUTH KOREA			761,749.81		945,740.69	1.14
	SPAIN						
500,000.00	MERLIN PROP SOCIMI	2.225 16-23 25/04A	EUR	500,000.00	102.93	514,630.00	0.62
200,000.00	NH HOTEL GROUP SA	3.75 16-23 01/10S	EUR	201,480.00	103.53	207,056.00	0.25
2,250,000.00	SPAIN	1.60 15-25 30/04A	EUR	2,339,160.00	103.51	2,328,975.00	2.80
	TOTAL SPAIN			3,040,640.00		3,050,661.00	3.67
	SWEDEN						
200,000.00	ORLEN CAPITAL	2.50 16-23 07/06A	EUR	197,454.00	104.38	208,766.00	0.25
	TOTAL SWEDEN			197,454.00		208,766.00	0.25
	THE NETHERLANDS						
500,000.00	AKZO NOBEL REGS	1.125 16-26 08/04A	EUR	498,600.00	101.06	505,315.00	0.61
1,000,000.00	BMW FINANCE REGS	0.75 16-24 15/04A	EUR	1,000,415.00	100.86	1,008,550.00	1.21
500,000.00	FIAT CHRYSLER A	3.75 16-24 29/03A	EUR	502,250.00	104.04	520,215.00	0.63
500,000.00	GAS NAT FENOSA FIN	1.25 16-26 19/04A	EUR	499,007.00	100.42	502,095.00	0.60
1,000,000.00	NOMURA EUROPE FIN	1.50 14-21 12/05A	EUR	1,009,222.83	103.90	1,039,000.00	1.25
	TOTAL THE NETHERLANDS			3,509,494.83		3,575,175.00	4.30
	UNITED KINGDOM						
500,000.00	CREDIT AGRICOLE	1.25 16-26 14/04A	EUR	499,395.00	101.08	505,390.00	0.61
750,000.00	FCE BANK EMTN	1.134 15-22 10/02A	EUR	745,762.50	101.07	758,055.00	0.90
250,000.00	INEOS FINANCE REGS	4.00 15-23 01/05S	EUR	253,062.50	103.84	259,607.50	0.31
500,000.00	PRUDENTIAL FINANCIAL	5.25 16-XX 20/07Q	USD	459,542.54	97.46	461,995.74	0.56
500,000.00	TESCO CORP	1.375 14-19 01/07A	EUR	486,527.00	101.47	507,335.00	0.61
500,000.00	VODAFONE GROUP	2.20 16-26 25/08A	EUR	495,050.00	106.00	529,985.00	0.64
	TOTAL UNITED KINGDOM			2,939,339.54		3,022,368.24	3.63
	UNITED STATES OF AMERICA						
500,000.00	ANHEUSER BUSCH COS	2.65 16-21 01/02S	USD	463,820.23	100.50	476,430.44	0.57
2,000,000.00	APPLE	2.40 13-23 03/05S	USD	1,441,476.80	97.50	1,848,798.29	2.23
250,000.00	ARDAGH PCK REGS	4.125 16-23 15/05S	EUR	252,575.00	104.98	262,457.50	0.32
750,000.00	BERKSHIRE HATHAWAY	1.30 16-24 15/03A	EUR	748,095.00	103.07	773,055.00	0.93
250,000.00	CEMEX FINANCE LLC	4.625 16-24 15/06S	EUR	245,867.50	103.23	258,082.50	0.31
500,000.00	GOLDMAN SACHS GROUP	1.625 16-26 27/07A	EUR	500,619.00	99.25	496,245.00	0.60
500,000.00	IBM	1.125 16-24 06/09A	EUR	497,450.00	103.56	517,790.00	0.62
500,000.00	IBRD	1.375 16-21 24/05S	USD	440,586.62	97.18	460,654.19	0.55
200,000.00	INTL FLAVOR & FRAG	1.75 16-24 14/03A	EUR	199,644.00	104.98	209,964.00	0.25
500,000.00	MC DONALD S	1.125 15-22 26/05A	EUR	507,930.00	103.21	516,030.00	0.62
250,000.00	PRICELINE GROUP IN	2.15 15-22 25/11A	EUR	249,262.50	106.14	265,355.00	0.32
3,000,000.00	USA T NOTES	1.625 16-26 15/02S	USD	2,716,516.96	93.38	2,655,842.61	3.20
1,000,000.00	USA T NOTES	1.75 16-23 31/01S	USD	911,646.49	97.68	926,093.27	1.11
300,000.00	ZF NA CAPITAL	2.75 15-23 27/04A	EUR	305,250.00	105.78	317,349.00	0.38
	TOTAL UNITED STATES OF AMERICA			9,480,740.10		9,984,146.80	12.01
	TOTAL BONDS			41,057,940.13		42,839,693.17	51.51

The notes are an integral part of these financial statements.

Quantity or Face Value	Description	Ccy	Cost	Value per security	Market value (see notes)	% of net assets
FLOATING RATES BONDS						
AUSTRIA						
500,000.00	UNIQA INSURANCE GR FL.R 15-46 27/07A	EUR	504,470.00	107.05	535,240.00	0.64
	TOTAL AUSTRIA		504,470.00		535,240.00	0.64
BELGIUM						
300,000.00	KBC GROEP SUB FL.R 14-XX 19/03Q	EUR	298,125.00	101.05	303,135.00	0.36
	TOTAL BELGIUM		298,125.00		303,135.00	0.36
DENMARK						
1,000,000.00	DANSKE BANK EMTN FL.R 15-XX 06/04S	EUR	1,004,061.33	104.89	1,048,900.00	1.26
	TOTAL DENMARK		1,004,061.33		1,048,900.00	1.26
FRANCE						
500,000.00	AIR FRANCE KLM FL.R 15-XX 01/10A	EUR	495,034.79	101.09	505,450.00	0.61
500,000.00	ARKEMA SA FL.R 14-XX 29/10A	EUR	514,900.00	106.85	534,225.00	0.64
500,000.00	AXA SA FL.R 07-XX 05/10A	EUR	534,850.00	104.19	520,955.00	0.63
500,000.00	BNP PAR FL.R 16-XX 30/09S	USD	447,115.35	105.80	501,526.43	0.60
500,000.00	BNP PARIBAS SUB FL.R 07-XX 13/04A	EUR	515,750.00	100.92	504,590.00	0.61
500,000.00	CASA TIER 1 EUR FL.R 14-49 08/04Q	EUR	505,000.00	103.52	517,595.00	0.62
500,000.00	CASINO GUICHARD FL.R 13-XX 31/01A	EUR	450,400.00	95.23	476,165.00	0.57
500,000.00	ELECT.DE FRANCE FL.R 13-XX 29/01A	EUR	492,125.00	102.26	511,310.00	0.61
500,000.00	ORANGE SA SUB FL.R 14-XX 07/02A	EUR	521,250.00	106.26	531,315.00	0.64
500,000.00	SOCIETE GEN SUB FL.R 14-26 16/09A	EUR	494,980.50	102.65	513,240.00	0.62
500,000.00	SOCIETE GENERALE FL.R 16-XX 13/09S	USD	444,879.44	99.84	473,278.03	0.57
500,000.00	TOTAL SA FL.R 16-49 18/05A	EUR	500,000.00	105.77	528,850.00	0.64
500,000.00	TOTAL S.A. FL.R 16-49 05/05A	EUR	498,375.00	97.96	489,775.00	0.59
1,000,000.00	VEOLIA ENVIRONNEMENT FL.R 13-49 16/04A	GBP	1,264,318.73	103.76	1,215,604.50	1.47
	TOTAL FRANCE		7,678,978.81		7,823,878.96	9.42
GERMANY						
1,000,000.00	BAYER SUB FL.R 15-75 02/04A	EUR	964,900.12	95.58	955,830.00	1.16
700,000.00	DEUTSCHE BOERSE AG FL.R 15-41 05/02A	EUR	702,950.00	104.88	734,167.00	0.88
500,000.00	ENBW ENERGIE 3.375 16-77 05/04A	EUR	496,200.00	100.55	502,745.00	0.60
300,000.00	HTI FUNDING GMBH -DY- FL.R 10-19 15/01A	EUR	299,220.00	89.89	269,655.00	0.32
500,000.00	RWE AG REGS SUB FL.R 15-75 21/04A	EUR	430,250.00	86.74	433,685.00	0.52
	TOTAL GERMANY		2,893,520.12		2,896,082.00	3.48
IRELAND						
700,000.00	CLOVERIE PLC (SWISS R FL.R 14-44 11/09A	USD	563,998.50	98.18	651,592.32	0.78
	TOTAL IRELAND		563,998.50		651,592.32	0.78
ITALY						
1,000,000.00	UNICREDIT FL.R 13-23 02/05S	USD	848,801.36	101.26	960,047.41	1.15
	TOTAL ITALY		848,801.36		960,047.41	1.15
LUXEMBOURG						
500,000.00	SES FL.R 16-XX 02/01A	EUR	500,598.00	101.43	507,130.00	0.61
	TOTAL LUXEMBOURG		500,598.00		507,130.00	0.61
SWEDEN						
500,000.00	SHB SUB FL.R 15-XX 01/03A	USD	424,822.07	98.96	469,115.90	0.56
500,000.00	VOLVO TREASURY SUB FL.R 14-78 10/03A	EUR	513,755.87	104.89	524,440.00	0.63
	TOTAL SWEDEN		938,577.94		993,555.90	1.19
SWITZERLAND						
500,000.00	ZUERCHER KANTONALB FL.R 15-27 15/06A	EUR	503,000.00	100.41	502,035.00	0.60
	TOTAL SWITZERLAND		503,000.00		502,035.00	0.60

The notes are an integral part of these financial statements.

Quantity or Face Value	Description	Ccy	Cost	Value per security	Market value (see notes)	% of net assets
THE NETHERLANDS						
1,000,000.00	ABN AMRO BANK NV FL.R 15-20 11/03Q	EUR	1,005,720.00	100.50	1,004,980.00	1.21
500,000.00	ALLIANZ FIN SUB -XW- FL.R 05-XX 28/02A	EUR	516,750.00	100.58	502,910.00	0.60
500,000.00	ASR NEDERLAND FL.R 15-45 29/09A	EUR	508,412.50	106.26	531,295.00	0.64
1,000,000.00	COOP RABOBANK UA 6.625 16-49 26/04A	EUR	1,010,850.00	107.30	1,073,040.00	1.29
200,000.00	DEMETER (SWISS RE) FL.R 15-50 15/08A	USD	184,365.78	100.58	190,710.59	0.23
1,000,000.00	ING REGS 151 FL.R 15-18 20/08S	EUR	1,005,840.00	100.52	1,005,150.00	1.21
500,000.00	KPN FL.R 13-XX 14/09A	EUR	513,500.00	107.28	536,395.00	0.64
300,000.00	REPSOL INTL FINANCE FL.R 15-49 29/12A	EUR	296,100.00	99.43	298,278.00	0.36
1,000,000.00	VW INTL FIN EMTN REGS FL.R 14-19 15/04S	EUR	1,004,500.00	100.41	1,004,100.00	1.21
	TOTAL THE NETHERLANDS		6,046,038.28		6,146,858.59	7.39
UNITED KINGDOM						
500,000.00	RBS GPR FL.R 16-XX 30/09Q	USD	470,532.93	101.41	480,734.77	0.58
	TOTAL UNITED KINGDOM		470,532.93		480,734.77	0.58
UNITED STATES OF AMERICA						
1,000,000.00	BANK OF AMERICA CORP FL.R 16-19 26/07Q	EUR	1,005,590.00	100.49	1,004,910.00	1.21
1,000,000.00	CITIGROUP INC FL.R 16-21 02/08Q	USD	898,645.03	101.07	958,198.62	1.15
2,000,000.00	GOLDMAN SACH GROUP FL.R 13-18 15/11Q	USD	1,610,049.75	100.94	1,913,913.25	2.31
1,000,000.00	MORGAN STANLEY FL.R 14-19 24/01Q	USD	904,696.76	100.31	951,031.05	1.14
400,000.00	UBS AG STAMFORD FL.R 14-19 14/08Q	USD	367,952.31	100.14	379,767.72	0.46
1,000,000.00	WELLS FARGO FL.R 15-20 02/06Q	EUR	1,002,800.00	100.26	1,002,550.00	1.21
	TOTAL UNITED STATES OF AMERICA		5,789,733.85		6,210,370.64	7.48
	TOTAL FLOATING RATES BONDS		28,040,436.12		29,059,560.59	34.94
	TOTAL TRANSFERABLE SECURITIES AND MONEY MARKET INSTRUMENTS ADMITTED TO AN OFFICIAL STOCK EXCHANGE OR DEALT IN ON ANOTHER REGULATED MARKET		71,919,810.85		74,711,528.02	89.83
INVESTMENT FUNDS						
OPEN-ENDED INVESTMENT FUNDS						
GERMANY						
5,000.00	ISHARES CORE DAX (R) UCITS ET	EUR	492,600.00	100.38	501,900.00	0.60
	TOTAL GERMANY		492,600.00		501,900.00	0.60
IRELAND						
8,000.00	ISHS CO EUR COR EUR SHS EUR ETF	EUR	1,032,196.00	130.08	1,040,640.00	1.25
10,000.00	ISHS HY CORP BD EUR	EUR	1,051,595.00	106.40	1,064,000.00	1.28
	TOTAL IRELAND		2,083,791.00		2,104,640.00	2.53
	TOTAL OPEN-ENDED INVESTMENT FUNDS		2,576,391.00		2,606,540.00	3.13
	TOTAL INVESTMENT FUNDS		2,576,391.00		2,606,540.00	3.13
	TOTAL INVESTMENTS IN SECURITIES		74,496,201.85		77,318,068.02	92.96
	Cash/(bank overdraft)				5,637,232.70	6.78
	Other assets and liabilities				214,320.05	0.26
	TOTAL NET ASSETS				83,169,620.77	100.00

The notes are an integral part of these financial statements.

**GEOGRAPHICAL CLASSIFICATION
OF THE INVESTMENTS IN SECURITIES**
December 31, 2016
(in %)

COUNTRIES	% of net assets
United States of America	21.92
France	18.11
The Netherlands	11.69
Germany	10.46
Ireland	4.84
United Kingdom	4.21
Spain	3.85
Luxembourg	2.83
Italy	1.69
Sweden	1.44
Finland	1.30
Denmark	1.26
Cayman Islands	1.25
Guernsey	1.20
South Korea	1.14
Bulgaria	0.95
Belgium	0.85
Singapore	0.72
Austria	0.64
Switzerland	0.60
Hong Kong	0.59
Israel	0.47
Hungary	0.37
Jersey	0.31
Colombia	0.27
TOTAL INVESTMENTS IN SECURITIES	92.96
Other assets/(liabilities) and liquid assets	7.04
NET ASSETS	100.00

**ECONOMIC CLASSIFICATION
OF THE INVESTMENTS IN SECURITIES**
December 31, 2016
(in %)

ECONOMIC SECTORS	% of net assets
Banks and other credit institutions	23.75
Holding and finance companies	17.80
Countries and central governments	12.39
Office supplies and computers	4.11
Insurance	3.68
Energy and water supply	3.20
Investment funds	3.13
Data transmission	3.07
Chemicals	2.41
Mining industry	1.98
Retail trade	1.75
Foodstuffs and non-alcoholic drinks	1.66
Supranational organisations	1.66
Oil	1.60
Road vehicles	1.57
Hotels, restaurants and leisure	1.51
Building and building materials	1.26
Real estate	1.00
Pharmaceutical and cosmetics industry	0.64
Packaging industries	0.62
Graphic industry and publishing houses	0.62
Electrotechnical and electronic industry	0.61
Transportation	0.61
Miscellaneous consumer goods	0.60
Tobacco and alcohol	0.45
Biotechnology	0.37
Healthcare, education & social services	0.35
Internet and software services	0.32
Environmental services & recycling	0.24
TOTAL INVESTMENTS IN SECURITIES	92.96
Other assets/(liabilities) and liquid assets	7.04
NET ASSETS	100.00

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

GENERAL

KITE FUND SICAV (the “Fund”) is a “société d’investissement à capital variable” with an umbrella structure, organized under Part I of the Law of December 17, 2010, as amended relating to Undertakings for Collective Investment (“Law of 2010”) and the Law of August 10, 1915 on the Commercial Companies (“Law of 1915”).

The Fund was created on September 11, 2012 for an unlimited period and is registered with the Luxembourg trade and companies register under number B 171354. Its original Articles have been published in the Mémorial on September 18, 2012.

As at December 31, 2016, the following Sub-Fund is available to investors:

KITE FUND SICAV - TOTAL RETURN

The Board of Directors of the Fund may, at any time, decide to create further Sub-Funds.

The Fund issues Shares of different classes. As at December 31, 2016, the following share class is available to investors:

Class A Share is denominated in EUR.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Presentation of financial statements

The financial statements are prepared in accordance with Luxembourg regulations relating to Undertakings for Collective Investment.

b) Valuation of the investments in securities

The valuation of securities and/or financial derivative instruments listed on an official stock exchange or dealt in on another regulated market which operates regularly, is recognised and open to the public, is based on the last available price and, if such security and/or financial derivative instrument is traded on several markets, on the basis of the last available price known on the market considered to be the main market for trading this security and/or financial derivative instrument. If the last available price is not representative, the valuation shall be based on the probable sales value estimated by the Board of Directors with prudence and in good faith;

Securities not listed on a stock exchange or dealt in on another regulated market which operates regularly, is recognised and open to the public shall be assessed on the basis of the probable sales value estimated with prudence and in good faith.

c) Valuation of futures and options

Futures and options, if any, are valued by reference to the last available day at closing price on the relevant market.

The realised and unrealised, if any, results on futures and on options are included in the statement of changes in net assets, respectively under “Net realised result on sales of investments” or “Change in net unrealised appreciation/(depreciation) on futures” or “Change in net unrealised appreciation/(depreciation) on options”.

d) Forward foreign exchange contracts

Forward foreign exchange contracts are valued at the forward rate applicable at the statement of net assets date for the remaining period until maturity.

The realised result, if any, on forward foreign exchange contracts is included in the statement of changes in net assets of each Sub-Fund under “Net realised result on foreign exchange”.

e) Net realised gain or loss on sales of investments

Realised gains or losses on sales of investments are calculated on the basis of average cost of the investments sold.

f) Conversion of foreign currencies for each Sub-Fund

Cash at bank, other net assets as well as the market value of the investment portfolio in currencies other than the reference currency of the Sub-Fund are converted into the reference currency of the Sub-Fund at the exchange rate prevailing at the year end.

Income and expenses in currencies other than the currency of the Sub-Fund are converted into the currency of the Sub-Fund at the exchange rate prevailing at the payment date.

Resulting realised and unrealised foreign exchange gains and losses are included in the statement of operations of each Sub-Fund.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) *Cost of investments in securities*

Cost of investments in securities in currencies other than the reference currency of the Sub-Fund is converted into the reference currency of the Sub-Fund at the exchange rate applicable at the purchase date.

h) *Formation expenses*

Formation expenses are amortised on a straight line basis over a period of 5 years.

i) *Dividends and interest*

Dividends are recorded at ex-date. Interest is accounted for on a prorata basis.

j) *Abbreviations*

XX: Perpetual Bonds

EXCHANGE RATES AS AT DECEMBER 30, 2016

1	EUR	=	0.8536	GBP
		=	1.0547	USD

COMMISSIONS ON ISSUE AND REPURCHASE OF SICAV'S SHARES

Shares are issued and redeemed at net asset value, subject to the subscription and redemption fees here above:

- up to 3%, the Subscription Fee is payable at the discretion of the Board of Directors;
- up to 3%, the Redemption Fee is payable at the discretion of the Board of Directors.

MANAGEMENT COMPANY FEE, INVESTMENT MANAGER FEE

Management Company

The Board of Directors is responsible for all commitments of the Fund and for the overall management and control of the Fund. It may carry out all acts of management of the assets of each Sub-Fund and in particular it may purchase, sell, subscribe or exchange any transferable securities and exercise all rights directly or indirectly attached to the

Fund's assets. The Board of Directors shall be in charge of determining the investment policy of each Sub-Fund.

The Board of Directors has appointed Pharus Management Lux S.A. (the "Management Company"), having its registered office at 16, Avenue de la Gare L-1160 Luxembourg as its management company registered under Chapter 15 of the Law of 2010, according to a "Management Company Services Agreement".

The Management Company is a company incorporated in Luxembourg as a "société anonyme" on July 3, 2012 for an indefinite duration and registered in the Luxembourg Commercial Register under Number B169798.

The Management Company is entitled to receive a management company fee of 0.07 % per year, based on the net assets of the Sub-Fund, with a minimum of EUR 25,000 per year. This fee will be calculated on the quarterly average of the total net assets under management of the previous quarter. It will be payable quarterly in arrears.

In addition, for the service of risk management of the Sub-Fund, the Management Company is entitled to receive a fee of EUR 10,000 per year, payable quarterly in arrears.

Investment Manager

The Management Company is entitled to receive from the Sub-Fund an investment management fee of 1.4% per year (with a minimum fee of EUR 50,000 per year) calculated and accrued every Valuation Day on the total net value of the Sub-Fund and drawn from the availability of the latter the first trading day of the following month.

Part of these fees will serve as remuneration for the Investment Advisor.

Investment Advisor

The Management Company has appointed Wise Consultants SA, a Swiss company with registered office at avenue Industrielle 4-6, CH1227 Carouge (Switzerland), as Investment Advisor to give recommendations to the Investment Manager for the manner in which the cash raised by the Sub-Fund might be invested or divested and provide information and documentation relating to the market contemplated by the investment policy of the Sub-Fund.

PERFORMANCE FEE

Performance fee

In addition to the investment management fee, the Management Company shall be entitled to receive from the Sub-Fund a performance fee which is calculated as follows:

The Management Company will receive a performance fee, paid annually, based on the net asset value (NAV), equivalent to:

- 10% of the performance of the NAV per share exceeding the Reference NAV (as defined hereafter) with a hurdle rate equal to 2% p.a. (and lower than 7% p.a.)
- 15% of the performance of the NAV per share exceeding the Reference NAV (as defined hereafter) with a hurdle rate equal to 7% p.a..

The above mentioned percentages will be calculated “per tranche”.

For example:

if the NAV performance is 6%, the Performance Fee will be 10% of the NAV Performance exceeding 2% i.e. $(6\% - 2\%) * 10\% = 0.4\%$;

if the NAV Performance is 9%, the Performance Fee will be 10% of the NAV Performance between 2% and 7% plus 15% of the NAV Performance exceeding 7%, i.e. $[(7\% - 2\%) * 10\%] + [(9\% - 7\%) * 15\%] = 0.5\% + 0.3\% = 0.8\%$.

The performance fee is calculated on the basis of the NAV after deduction of all expenses, liabilities, and management fees (but not performance fee), and is adjusted to take account of all subscriptions and redemptions.

The performance fee is equal to the out performance of the NAV per share multiplied by the number of shares in circulation during the calculation period. No performance fee will be due if the NAV per share before performance fee turns out to be below the Reference NAV for the calculation period in question.

The Reference NAV is defined as the greater of the following two figures:

The latest NAV per share after deduction of performance fee during the previous calculation period; and

- The latest Reference NAV.
- The Reference NAV for the first period is the initial NAV per share.

Provision will be made for this performance fee on each Valuation Day. If the NAV per share decreases during the calculation period, the provisions made in respect of the

performance fee will be reduced accordingly. If these provisions fall to zero, no performance fee will be payable. If shares are redeemed on a date other than that on which a performance fee is paid while provision has been made for performance fees, the performance fees for which provision has been made and which are attributable to the shares redeemed will be paid at the end of the period even if provision for performance fees is no longer made at that date. Gains which have not been realised may be taken into account in the calculation and payment of performance fees.

In case of subscription, the performance fee calculation is adjusted to avoid that this subscription impacts the amount of performance fee accruals. To perform this adjustment, the performance of the NAV per share against the Reference NAV until the subscription date is not taken into account in the performance fee calculation. This adjustment amount is equal to the product of the number of subscribed shares by the positive difference between the subscription price and the Reference NAV adjusted by the hurdle at the date of the subscription. This cumulated adjustment amount is used in the performance fee calculation until the end of the relevant period and is adjusted in case of subsequent redemptions during the period.

The performance fee calculation period shall correspond to the accounting year of the Fund.

Performance fees are payable within 10 business days following the end of the calculation period.

CUSTODIAN FEES

Edmond de Rothschild (Europe) has been appointed as Depositary Bank for the Fund. The Depositary Bank is entitled to receive out of the assets of each Sub-Fund fees calculated, in accordance with customary banking practice in Luxembourg, as an annual percentage of the average total net assets and are payable quarterly in arrears. They are also determined partly on a transaction basis and partly as a fixed sum. In addition, the Depositary Bank is entitled to be reimbursed by the Fund for its reasonable out-of-pocket expenses and disbursements and for the charges of any correspondents.

TRANSACTIONS FEE

The total amount of transaction fees is included in the statement of operations and changes in net assets and includes Custodian and Sub-Custodian fees, Correspondent's expenses and Brokerage fees.

COLLATERAL HELD AT BROKERS

The total amount of cash collateral as at December 31, 2016 is disclosed in the statement of net assets under:

- “Cash at broker” for the collateral relating to the outstanding Future contracts;
- “Margin deposits” for the collateral relating to the outstanding Forward foreign exchange contracts.

ANNUAL TAX

The Fund is subject to an annual tax in Luxembourg corresponding to 0.05% of the value of the net assets. This tax is payable quarterly on the basis of the Fund's net assets calculated at the end of the relevant quarter.

CHANGES IN THE SECURITIES PORTFOLIO

A copy of the list of changes in the portfolio of each Sub-Fund may be obtained free of charge at the registered office of the Fund for the year ended December 31, 2016.

SECURITIES FINANCING TRANSACTIONS AND OF REUSE REGULATION (“SFTR”)

The Fund does not use any instruments falling into the scope of “SFTR”.

UCITS V

European Directive 2014/91/EU amending Directive 2009/65/EC on undertakings for collective investment in transferable securities, which is applicable to the fund, came into force on 18 March 2016. It is implemented in national law under the Luxembourg Act of 10 May 2016 implementing Directive 2014/91/EU. Due to these new regulations, the fund is required to publish information relating to the remuneration of identified employees within the meaning of the Act in the annual report. The management company will have such remuneration-related information by the time of the next annual financial statement, so that this information will be included in the fund's next annual report. It is expected that the management company's remuneration policy will be available on the website <http://www.pharusmanco.lu/en/documents/documents/>.

SUBSEQUENT EVENT

The Board of Directors has decided to launch the new Sub-Fund Kite Flexible Credit during the first quarter of 2017.

FUTURES

As at December 31, 2016, the following futures contract(s) was (were) outstanding :

KITE FUND SICAV - TOTAL RETURN

Sale / Purchase	Quantity	Contract(s)	Size	Price as at 12.31.16	Commitment EUR	Unrealised result EUR	Counterparties
FUTURES ON INTEREST RATES							
Sale	30	EURO BTP FUTURE -EUX 03/17	100,000	135.31 EUR	4,059,300.00	(81,200.00)	JP Morgan London
Sale	90	EURO BUND FUTURE 03/17	100,000	164.15 EUR	14,773,500.00	(241,300.00)	JP Morgan London
Sale	45	US 10 YEARS NOTE 03/17	100,000	124.09 USD	5,302,352.45	(21,554.28)	JP Morgan London
Sale	30	US 5 YEARS NOTE-CBT 03/17	100,000	117.21 USD	3,346,690.57	888.84	JP Morgan London
						(343,165.44)	

The unrealised gain/(loss) result on the outstanding futures contract(s) as at December 31, 2016 for KITE FUND SICAV - TOTAL RETURN is included in the statement of net assets of the Sub-Fund.

FORWARD FOREIGN EXCHANGE CONTRACTS ON CURRENCIES

As at December 31, 2016, the following forward foreign exchange contract(s) on currencies was (were) outstanding:

KITE FUND SICAV - TOTAL RETURN

	Sale		Purchase	Maturity	Unrealised in EUR	Counterparties
USD	12,500,000.00	EUR	11,739,080.44	03.01.17	(78,418.16)	EDMOND DE ROTHSCHILD (EUROPE)
USD	2,500,000.00	EUR	2,338,545.40	03.01.17	(24,954.32)	EDMOND DE ROTHSCHILD (EUROPE)
USD	2,500,000.00	EUR	2,394,124.24	03.01.17	30,624.52	EDMOND DE ROTHSCHILD (EUROPE)
					(72,747.96)	

The unrealised gain/(loss) result on the outstanding forward foreign exchange contract(s) on currencies as at December 31, 2016 for KITE FUND SICAV - TOTAL RETURN is included in the statement of net assets of the Sub-Fund.