

VARENNE SELECTION FCP

MONTHLY REPORT (A-EUR UNIT) - MAY 2017



NAV

€293.19

Varenne Selection fund is a professional alternative investment fund. It is not subject to the same rules as general investment funds (UCITS funds) and can therefore carry higher risk. Only those persons listed in the section entitled "Target Investors" of the prospectus may purchase units in the Varenne Selection fund.

INVESTMENT OBJECTIVE

The Fund's objective is to target above average returns in a fund that mixes a concentrated long and short equity portfolio (long biased) with an overlay of merger arbitrage (long/short pairs or longs) and opportunistic tail risk hedging.

MONTHLY PERFORMANCE

Years	January	February	March	April	May	June	July	August	Sept.	October	Nov.	Dec.	Yearly Perf.
2010	0.91%	1.26%	9.85%	2.46%	-1.69%	-3.24%	1.30%	1.38%	8.27%	-0.68%	-0.63%	5.48%	26.61%
2011	2.66%	0.15%	-0.96%	3.71%	1.54%	0.52%	-1.63%	-8.72%	1.52%	4.65%	-3.02%	-0.50%	-0.78%
2012	8.29%	3.27%	1.52%	-5.02%	-2.69%	-0.41%	2.03%	2.19%	1.18%	-0.21%	1.25%	7.11%	19.28%
2013	6.61%	-1.77%	-2.81%	0.55%	6.31%	-2.09%	7.71%	-1.22%	2.65%	5.08%	2.65%	3.06%	29.32%
2014	2.16%	4.30%	-1.40%	-1.19%	-0.65%	-0.65%	-3.13%	0.00%	3.37%	-0.58%	2.62%	0.09%	4.78%
2015	3.07%	5.51%	6.37%	5.52%	0.34%	-2.01%	1.79%	-4.24%	0.48%	2.96%	-1.18%	-0.96%	18.45%
2016	-2.83%	-0.05%	1.12%	1.58%	-0.09%	-2.16%	4.26%	-0.40%	0.02%	-0.68%	0.53%	3.43%	4.61%
2017	1.85%	1.92%	2.46%	3.59%	1.56%								11.89%

TOP 5 HOLDINGS (Equity)

SESA	Long Equity	Italy
LVMH	Long Equity	France
WPP	Long Equity	United Kingdom
GREGGS	Long Equity	United Kingdom
THE PRICELINE GROUP	Long Equity	United States

NUMBER OF HOLDINGS

Equity	20
Special Situations	4
Tail Risk Hedging	4

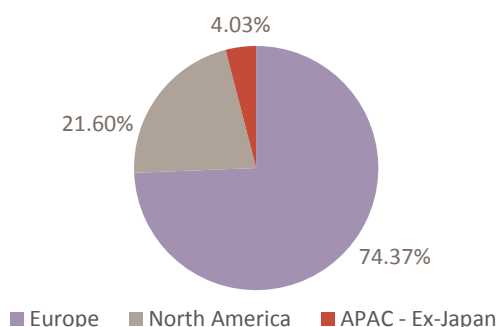
EXPOSURE BY MARKET CAPITALIZATION (Equity)

> EUR 3bn	49.82%
EUR 500m – 3bn	24.22%
< EUR 500m	25.96%

CURRENCY EXPOSURE (Mark-to-market, excluding Tail Risk Hedging)

	USD	GBP	DKK	SGD	HKD	CNH
Exposure	24.88%	23.95%	6.92%	3.61%	0.43%	0.00%
Hedging	18.38%	15.97%	-	1.42%	-	2.13%
Net Exposure	6.50%	7.98%	6.92%	2.19%	0.43%	-2.13%

GEOGRAPHIC BREAKDOWN (Equity, gross exposure, mark-to-market)



TOP 10 SECTORS (GLICS sub-ind. - Equity, gross exposure, mark-to-market)

Food Retail	13.62%
Technology Distributors	12.88%
Apparel, Accessories & Luxury	11.22%
Advertising	10.57%
Internet & Direct Marketing Retail	8.57%
Pharmaceuticals	6.90%
Apparel Retail	6.15%
Multi-line Insurance	5.33%
Human Resource & Employment Services	4.99%
Packaged Foods & Meats	3.84%

¹ Risk indicator scored on a scale of 1 (lower risk) to 7 (higher risk). Category 1 does not mean "risk-free". This indicator may change over time.

² Inception A-EUR unit: 12/1/2006

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CUMULATIVE AND ANNUALIZED PERFORMANCE

	Year to date	1 year	CUMULATIVE				ANNUALIZED
			3 years	5 years	10 years	Since Inception ²	Since Inception ²
VARENNE SELECTION	11.89%	17.42%	40.86%	113.60%	102.56%	134.55%	8.46%

ANNUALIZED VOLATILITY

Annualized volatility % (w)	1 year	3 years	5 years	10 years	Since Inception ²
VARENNE SELECTION	7.38%	11.08%	11.03%	16.54%	16.29%

INVESTMENT MANAGEMENT REVIEW

Macro Context: The main central banks kept their key rates on hold. Ten-year sovereign bond yields retreated in all regions, with the US T-Note down 8 basis points to 2.20%, the French OAT down 10bp to 0.73%, and the Spanish Bono down 10bp to 1.55%. By extension, high-yield bond yields fell further during the month, to 2.42% in Europe and 5.57% in the US.

Volatility continued to recede, to 10.41% in the case of VIX (S&P 500) and to 14.55% on the VSTOXX (EURO STOXX 50).

Crude oil fell by 2.05% in May to \$48.32/barrel, while both precious and industrial metals were flat, including gold at \$1,268.92/ounce (+0.05%) and copper at \$5,682/tonne (-0.93%). On the forex markets, the euro posted further gains to the dollar, at 1.12 (+3.20%), and to the Swiss franc, at 1.09 (+0.36%). It also soared against sterling, to 0.87 (+3.68%).

Equity (Long Equity and Short Equity): The position in Groupe Fnac (FR) was reduced.

Merger Arbitrage: A new position was set up in Havas (FR) as part of the bid by Vivendi (FR), and in Syngenta (CH) upon the mandatory reopening of the bid by China National Chemical Corp (CN). We also raised our exposure to the simplified bid announced by Groupe Arnault (FR) for Christian Dior (FR).

Tail Risk Hedging: The fund is hedged against economic crisis risk or monetary shocks, mainly through a variance/volatility swap on the S&P 500, put-on-best options on Eurostoxx 50 and Nikkei maturing in March 2020 and yen/dollar put options maturing in 2020/21.

TERMS AND CONDITIONS

Fund Structure	Professional AIF / Unit Trust	Administrator	CACEIS Fund Administration
Type	Accumulation	Subscriptions/	Daily
Benchmark	None	Redemptions	No minimum
Initial NAV	€125	Subscription Fee	Up to 2%, fully paid to distributors when applicable
Inception	12/01/2006 (A-EUR unit)	Redemption Fee	None
Isin	FR0010392225 (A-EUR unit)	Management Fee	1.95% of Net Assets
Bloomberg	VARSLCT FP	Performance Fee	14.95% of the Fund's performance
Investment Manager	Varenne Capital Partners		Hurdle Rate: Average TEC 5 annual yield calculated over the 12 most recent months
	AMF Approval no. GP-06 000004		
Custodian	CACEIS Bank France		

² Inception A-EUR unit: 12/1/2006

Data sources: Varenne Capital Partners

Past performances do not guarantee future returns. Please consult the fund's prospectus prior to making any investments. Data included in this document relates exclusively to the A-EUR unit of FCP Varenne Selection. Data for other units differ. This document has been published solely for information purposes and does not therefore constitute, whether in full or in part, investment advice, or an offer, personalised recommendation or a solicitation to subscribe to, or redeem units, equities or other shares in the investment products presented.

VARENNE CAPITAL PARTNERS

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