

VARENNE SELECTION FCP

MONTHLY REPORT (A-EUR UNIT) - AUGUST 2017



NAV

€282.50

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% | -1.64% | -1.02% | -1.04% | | | | | 7.81% |

TOP 5 HOLDINGS (Equity)

| | | |
|-------------|-------------|----------------|
| ULTA BEAUTY | Long Equity | United States |
| SESA | Long Equity | Italy |
| GREGGS | Long Equity | United Kingdom |
| LVMH | Long Equity | France |
| WPP | Long Equity | United Kingdom |

NUMBER OF HOLDINGS

| | |
|--------------------|----|
| Equity | 18 |
| Special Situations | 3 |
| Tail Risk Hedging | 4 |

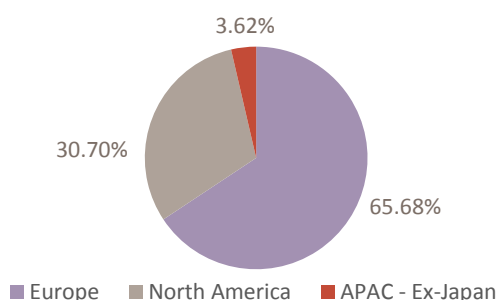
EXPOSURE BY MARKET CAPITALIZATION (Equity)

| | |
|----------------|--------|
| > EUR 3bn | 55.08% |
| EUR 500m – 3bn | 22.07% |
| < EUR 500m | 22.85% |

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

| | USD | GBP | DKK | SGD | HKD | CNH |
|--------------|--------|--------|-------|-------|-------|--------|
| Exposure | 40.71% | 23.40% | 7.36% | 3.56% | 0.44% | 0.00% |
| Hedging | 35.02% | 16.22% | - | 1.43% | - | 2.13% |
| Net Exposure | 5.69% | 7.18% | 7.36% | 2.13% | 0.44% | -2.13% |

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



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

| | |
|--------------------------------------|--------|
| Specialty Stores | 11.74% |
| Apparel Retail | 11.10% |
| Technology Distributors | 10.81% |
| Apparel, Accessories & Luxury | 10.12% |
| Restaurants | 10.07% |
| Advertising | 7.98% |
| Internet & Direct Marketing Retail | 7.86% |
| Pharmaceuticals | 6.67% |
| Multi-line Insurance | 4.46% |
| Human Resource & Employment Services | 4.45% |

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 | CUMULATIVE | | | | | ANNUALIZED |
|-------------------|--------------|------------|---------|---------|----------|------------------------------|------------------------------|
| | | 1 year | 3 years | 5 years | 10 years | Since Inception ² | Since Inception ² |
| VARENNE SELECTION | 7.81% | 11.36% | 41.02% | 98.20% | 100.91% | 126.00% | 7.88% |

ANNUALIZED VOLATILITY

| Annualized volatility % (w) | 1 year | 3 years | 5 years | 10 years | Since Inception ² |
|-----------------------------|--------|---------|---------|----------|------------------------------|
| VARENNE SELECTION | 7.82% | 10.84% | 11.16% | 16.55% | 16.12% |

INVESTMENT MANAGEMENT REVIEW

Macro Context: The main central banks kept their key rates on hold. Ten-year bond sovereign bond yields dropped in both Europe and the US, with the Bund falling to 0.36%, the French OAT to 0.66%, the US T-Note to 2.12%. The trend was similar in the UK and Italy, with the Gilt falling to 1.03%, and the Italian BTP to 2.04%. High-yield bond yields are at 2.89% in Europe and 6.04% in the US. Volatility was stable on the month at 10.59% for the VIX (S&P 500) and rose by 173bps to 15.63% for the VSTOXX (EURO STOXX 50).

Industrial and precious metals continued to rally, with copper gaining 6.58% to \$6,788 / tonne and gold up 4.10% to \$1,321.43 / ounce. Crude fell by 5.86% to \$47.23/bbl. On the forex markets, the euro levelled off to the dollar at \$1.19 (+0.57%) and to the Swiss franc at CHF 1.14 (-0.27%), while gaining 2.79% to sterling at GBP 0.92.

Equity (Long Equity and Short Equity): Two new positions were set up in Ulta Beauty (US) and Ross Stores (US). The positions in Nike (US) and Walt Disney (US) were sold off.

Merger Arbitrage: A new position was set up in VWR (US) in the wake of the cash offer from Avantor (US).

Tail Risk Hedging: The fund is hedged against a risk of economic crisis or monetary shocks, mainly through CDS against the default risk on European subordinated financial debt, variance swaps 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 2023.

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 AMF Approval no. GP-06 000004 | | Hurdle Rate: Average TEC 5 annual yield calculated over the 12 most recent months |
| Custodian | CACEIS BANK | | |

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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