OFI Kappastocks

Diversified mutual fund

Half-yearly report **30 June 2017**

MANAGEMENT DIRECTION

OFI KAPPASTOCKS is a Feeder Fund for the OFI RS EURO EQUITY SMART BETA Master Fund.

For its I units and its R units, investment will be made for a minimum of 85% of the Net Assets of the Fund in the XL units of the UCITS Master Fund. The rest of the assets can only be made up of cash holdings and financial contracts concluded for the sole purpose of hedging transactions.

A minimum of 90% of the Net Assets of OFI RS EURO EQUITY SMART BETA are constantly exposed on eurozone share markets. However, the manager of OFI KAPPASTOCKS may take positions, using up to 15% of its Net Assets, with a view to hedging its portfolio against its Master Fund's exposure to equity risk, either partly or completely, based on his judgment, by using instruments such as Futures and Options on equity, equity indices and other types of equity support, and Swaps and Forwards on equity, equity indices and other types of equity support, which are mainly traded on regulated and organised markets, and/or OTC markets.

The equity exposure of the OFI RS EURO EQUITY SMART BETA Master Fund is therefore between 90% and 110% of the Net Assets, while the equity exposure of the OFI KAPPASTOCKS Feeder Fund is between 0% and 110% of the Net Assets.

Its management objective, its benchmark, its management strategy and its risk profile are similar to those of the UCITS Master Fund.

However, differences between the Feeder Fund and its Master Fund may arise due to the fact that the Feeder Fund may implement an equity-risk hedging strategy.

Due to its own fees and its use of futures instruments, the OFI KAPPASTOCKS Feeder Fund will perform differently to the OFI RS EURO EQUITY SMART BETA UCITS Master Fund.

An overview of the features of the Master Fund

AMF classification: Eurozone countries shares. The OFI KAPPASTOCKS Feeder Fund is still classified as "Diversified".

Management objective
The object of the Fund is to achieve a performance above that of the Euro Stoxx Reinvested Net Dividends index over the recommended investment period by adopting an SRI approach.

Benchmark
The investor may compare the Fund's performance with those of the calculated EURO STOXX Reinvested Net Dividends index (SXXT Ticker). However, the Fund is not seeking to reproduce the performance of this index in one way or another. It makes investments based on criteria which can result in significant discrepancies in relation to the behaviour of the index.

Management strategy
The Fund investment universe is defined by all of the components of the EURO STOXX index. Based on dynamic allocation, the manager invests in the securities that make up the index for his universe without seeking to apply the same weighting to each security in his index, however. The Fund will mainly invest in the eurozone (90% of its Assets) and there will be no sector-based constraints when allocating them.

The investment processes apply both financial and non-financial criteria in order to favour a "Socially Responsible Investment" (SRI) selection of companies in the portfolio.

1. Based on his investment universe, every three months or when required, depending on market conditions, the manager makes a sector allocation based on the volatility of each composite sector and their joint correlations, in order to offset their contributions to the overall risk (financial criterion);
2. The manager applies an SRI filter to the components in each sector so that it is not just 2/3 of the companies with the best SRI scores for their sector, as established by the SRI team for the OFI group, that are kept (non-financial criterion);
3. Finally, each security is allocated sector by sector on a discretionary basis. However, this is constrained by the initial sector allocation (financial criterion).

The SRI research team carries out a detailed analysis of the environmental and social issues specific to each sector of activity, and of governance issues. This study is carried out taking into account Environmental, Social and Governance elements, namely:
- the Environmental dimension: direct or indirect impact of the issuer's activity on the environment: climate change, natural resources, project financing, toxic waste, green products;
- the Social dimension: direct or indirect impact of the issuer's activity on the stakeholders: employees, customers, suppliers and civil society, by reference to universal values (notably: human rights, international work standards, environmental impact, prevention of corruption, etc.);

- the Governance dimension: processes as a whole, regulations, laws and institutions influencing the way the company is directed, administered and controlled.

Based on the sector-based reference for key issues, an ESG Score is calculated per issuer, which includes, first, the key issue scores (with a weighting of 70% for Environmental and Social issues and 30% for Governance), any penalties associated with controversies not yet integrated in the scores for key issues and any bonuses associated with analysis of the key issues. This ESG score is calculated out of 10.

Companies' ESG scores are used to establish an SRI score corresponding to the ranking of the issuer's ESG score compared to other actors in its ICB supersector (level 2). The SRI score is established on a scale of 0 to 5, 5 corresponding to the best ESG score in the sector.

The eligible investment universe is defined using a 'best in class' approach, by selecting 2/3 of the best SRI Scores in each sector within the investment universe for the Fund (Eurostoxx Index).

The Fund can operate on fixed-term or conditional financial instruments traded on regulated and organised markets (French, foreign and/or over-the-counter). In this context, the manager may take positions with a view to hedging the portfolio against or exposing the portfolio, on a discretionary basis, to equity risks by using instruments such as Futures and Forwards on equity and equity indices, Options on equity and equity indices, and Swaps on equity and equity indices. Up to 110% of the assets in the Fund's portfolio may be exposed via these instruments.

Risk profile

The risk profile of the OFI KAPPASTOCKS UCITS Feeder Fund is similar to that of the OFI RS EURO EQUITY SMART BETA UCITS Master Fund, as set out below, with the exception that the Feeder Fund may take positions, using up to 15% of its Net Assets, with a view to hedging its portfolio against its Master Fund's exposure to equity risk.

The Fund is classified as "Shares of eurozone countries". The investor is therefore mainly exposed to the risks below, this list not being exhaustive.

Capital loss risk
The investor is advised that the performance of the UCITS might not conform to his objectives and that his capital might not be returned in full, the Fund not benefiting from any guarantee or protection of capital invested.

Share risk
The Fund is invested in or exposed to one or several equity markets which may experience large fluctuations, and to small and medium capitalisations which, taking account of their specific characteristics, may present a liquidity risk. The investor's attention is drawn to the fact that fluctuations in the price of the portfolio assets and/or the market risk will result in a significant reduction in the net asset value of the Fund.

Interest rate risk
Because of its composition, the Fund may be subject to an interest rate risk. This risk results from the fact that, in general, the price of debt securities and fixed-rate bonds falls when rates rise. The net asset value will drop if interest rates rise.

Risk model
The management process for the Fund is based in part on using two proprietary models. One of these is used to determine the risk level of an asset compared to other assets in the portfolio, while the other is a non-financial scoring model (including some ESG criteria). There is a risk that these models are not efficient. The performance of the Fund may therefore be below the management objective.

Counterparty risk
This is risk linked to the Fund using futures contracts traded OTC. These transactions made with one or more eligible counterparties could potentially expose the Fund to the risk of one of these counterparties defaulting, which could lead to a payment default.

As the Feeder Fund may take positions, using up to 15% of its Net Assets, with a view to hedging its portfolio against its Master Fund's exposure to equity risk, it can be potentially exposed to the risk of its counterparties defaulting.

Counterparty risk
This is risk linked to the Fund using futures contracts traded OTC. These transactions made with one or more eligible counterparties could potentially expose the Fund to the risk of one of these counterparties defaulting, which could lead to a payment default.

CHANGE(S) MADE DURING CURRENT HALF-YEAR

From 17 January 2017, the name of the Master Fund changed: OFI SMART BETA ISR became OFI RS EURO EQUITY SMART BETA.

CHANGE(S) MADE DURING PREVIOUS HALF-YEAR

As of 25 November 2016, the OFI KAPPASTOCKS Fund became the Feeder Fund of the XL units of OFI SMART BETA ISR. This has resulted in:

- a change of benchmark in favour of EURO STOXX;
- a change in subscription/redemption procedures: cut-off at 10:00;
- a change in the recommended investment period to 5 years from now on;
- the abolition of the outperformance commission;
- a change in management fees.

FUTURE CHANGE(S)

Nil.

INFORMATION RELATING TO TRANSPARENCY OF SECURITIES FINANCING TRANSACTIONS AND RE-USE

Between 1 January 2017 and 30 June 2017, the Fund performed neither securities financing transactions nor total return swaps.

Statement of assets

Elements on the statement of assets	Amount on the periodic statement
Eligible financial securities mentioned in Article L. 214-20 (1)(1) of the Monetary and Financial Code	-
Bank assets	1,098.54
Other assets held by the UCI	10,496,446.11
Total assets held by the UCI	10,497,544.65
Financial accounts	-0.49
Financial instruments and Receivables	-6,660.83
Total liabilities	-6,661.32
Net asset value	**10,490,883.33**

Changes in net assets

	30/06/2017	30/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012
NET ASSETS						
in EUR	10,490,883.33	13,256,726.18	35,419,956.08	68,644,369.04	57,667,762.26	7,995,594.87
Number of securities						
Category of I units	205.0000	286.0000	674.0000	1,064.2977	779.0000	-
Category of R units	864.1779	1,137.8115	2,723.3628	8,762.6118	10,528.4564	6,452.0000
Unit net asset value						
Category of I EUR units	46,499.67	42,306.57	47,854.70	53,657.76	55,455.75	-
Category of R EUR units	1,109.08	1,016.90	1,162.49	1,316.56	1,374.15	1,239.24
Unit distribution on net capital gains and losses (including advances)						
in EUR	-	-	-	-	-	-
Unit distribution on result (including advances)						
in EUR	-	-	-	-	-	-
Unit tax credit transferred to bearer (individuals)						
Category of I EUR units	-	-	-	-	-	-
Category of R EUR units	-	-	-	-	-	-
Unit capitalization						
Category of I EUR units	-	-8,295.53	-5,890.94	-206.06	3,454.14	-
Category of R EUR units	-	-207.84	-156.43	-18.39	65.69	214.40

Securities portfolio

Elements of the securities portfolio	Percentage	
	Net assets	Total assets
Eligible financial securities and money market instruments admitted for trading on a regulated market within the meaning of Article L. 422-1 of the Monetary and Financial Code.	-	-
Equities	-	-
Bonds	-	-
Debt securities	-	-
Eligible financial securities and money market instruments admitted for trading on another regulated market, duly functioning, recognised and open to the public, and with its registered office in a Member State of the European Union or in another State party to the Agreement on the European Economic Area.	-	-
Equities	-	-
Bonds	-	-
Debt securities	-	-
Eligible financial securities and money market instruments admitted for official trading on a stock market of a third country or traded on another market of a third country, regulated, duly functioning, recognised and open to the public, provided that this stock market or this market does not feature on a list drawn up by the Autorité des Marchés Financiers or the choice of this stock market or this market is provided for by law or by regulation or by the articles of association of the UCITS	-	-
Equities	-	-
Bonds	-	-
Debt securities	-	-
The newly issued securities mentioned in Article R.214-11(1)(4) of the Monetary and Financial Code	-	-
Equities	-	-
Bonds	-	-
Debt securities	-	-
Other assets: These are the assets mentioned in II of Article R. 214-11 of the Monetary and Financial Code	100.05	99.99
Variable capital UCI	100.05	99.99
OFI RS EURO EQUITY SMART BETA XL	100.05	99.99
Equities	-	-
Bonds	-	-
Debt securities	-	-

Indication of movements occurring in the composition of the securities portfolio, during the reference period

Elements of the securities portfolio	Movements (in amount)	
	Acquisitions	Purchase and sale
Eligible financial securities and money market instruments admitted for trading on a regulated market within the meaning of Article L. 422-1 of the Monetary and Financial Code.	-	-
Equities	-	-
Bonds	-	-
Debt securities	-	-

Indication of movements occurring in the composition of the securities portfolio, during the reference period (continued)

Elements of the securities portfolio	Movements (in amount)	
	Acquisitions	Purchase and sale
Eligible financial securities and money market instruments admitted for trading on another regulated market, duly functioning, recognised and open to the public, and with its registered office in a Member State of the European Union or in another State party to the Agreement on the European Economic Area.	-	-
Equities	-	-
Bonds	-	-
Debt securities	-	-
Eligible financial securities and money market instruments admitted for official trading on a stock market of a third country or traded on another market of a third country, regulated, duly functioning, recognised and open to the public, provided that this stock market or this market does not feature on a list drawn up by the Autorité des Marchés Financiers or the choice of this stock market or this market is provided for by law or by regulation or by the articles of association of the UCITS	-	-
Equities	-	-
Bonds	-	-
Debt securities	-	-
The newly issued securities mentioned in Article R.214-11(1)(4) of the Monetary and Financial Code	-	-
Equities	-	-
Bonds	-	-
Debt securities	-	-
Other assets: These are the assets mentioned in II of Article R. 214-11 of the Monetary and Financial Code	236,546.18	3,883,144.65
Variable capital UCI	236,546.18	3,883,144.65

Promoters:	OFI ASSET MANAGEMENT - 22 rue Vernier - 75017 Paris
Management Company:	OFI ASSET MANAGEMENT - 22 rue Vernier - 75017 Paris
Depositary and Custodian:	SOCIETE GENERALE - 29 Boulevard Haussmann - 75009 Paris
Administrative and accounts management:	SOCIETE GENERALE - 29 Boulevard Haussmann - 75009 Paris