

EFFEPILUX ALTERNATIVE

Société d'Investissement à Capital Variable - Fonds d'Investissement Spécialisé

R.C.S. Luxembourg B 150.495

No subscriptions can be received on the basis of these financial statements. Subscriptions are only valid if made on the basis of the current prospectus and the Key Investor Information Document («KIID»), accompanied by a copy of the latest annual report including the audited financial statements, if published thereafter.

Table of contents

Organisation and Administration	1
General information on the Company	3
Information to the Shareholders	4
Report of the Board of Directors	5
Report of the <i>réviseur d'entreprises agréé</i>	6
Statement of Net Assets	8
Statement of Operations and Changes in Net Assets	9
Statistical information	10
EFFEPILUX ALTERNATIVE - Alternativo	
Schedule of Investments	11
Classification of Investments	
<i>Economic classification</i>	12
<i>Geographical classification</i>	12
EFFEPILUX ALTERNATIVE - R.E.	
Schedule of Investments	13
Classification of Investments	
<i>Economic classification</i>	14
<i>Geographical classification</i>	14
Notes to the financial statements	15

Organisation and Administration

Registered Office

From September 1, 2016
2, Place de Paris, L-2314 Luxembourg,
Grand Duchy of Luxembourg
Until September 1, 2016
28-32, Place de la gare, L-1616 Luxembourg,
Grand Duchy of Luxembourg

Board of Directors

Chairman:

Luciano ORIFIAMMI, Former Chairman of the Board of Directors and of the Investment Committee Fondo Pensione per il personale delle Aziende del Gruppo Unicredito Italiano, Milan, Italy

Members:

Pier Candido VAISITTI, General Manager and Member of the Investment Committee Fondo Pensione per il personale delle Aziende del Gruppo Unicredito Italiano, Milan, Italy

Luciano PALMESI, Former Member of the Board of Directors and of the Investment Committee Fondo Pensione per il personale delle Aziende del Gruppo Unicredito Italiano, Milan, Italy

Robert DENORMANDIE, Associate of The Directors Office, Luxembourg

From December 16, 2016
Massimo COTELLA, independent consultant and member of the Board of Directors and of the Investment commission of Fondo Pensione per il personale delle Aziende del Gruppo UniCredit, Milan, Italy.

Until December 15, 2016
Fabrizio MONTELATICI, Chairman of the Board of Directors and Member of the Investment Committee Fondo Pensione per il personale delle Aziende del Gruppo Unicredito Italiano, Milan, Italy

Management Company

From September 1, 2016
Fondaco Lux S.A.,
2, Place de Paris, L-2314 Luxembourg,
Grand Duchy of Luxembourg

Board of Directors of the Management Company

Chairman:

From September 1, 2016
Fabio LIBERTINI, Chairman of Fondaco Lux S.A.,
2, Place de Paris, L-2314 Luxembourg,
Grand Duchy of Luxembourg

Members:

Paolo CROZZOLI, Independent Director of Fondaco Lux S.A., 2, Place de Paris, L-2314 Luxembourg,
Grand Duchy of Luxembourg

Henri NINOVE, Director of Ersel Gestion Internationale S.A. Luxembourg, 17, rue Jean l'Aveugle, L-1148 Luxembourg,
Grand Duchy of Luxembourg

Delegates of the Board of Directors of the Management Company who effectively conduct the business:

From September 1, 2016
Noemi MADAU, Head of Compliance, Fondaco Lux S.A.

Manuela BOGGIONE, Conducting person of Fondaco Lux S.A.

Paola TROMBETTA, Conducting person of Fondaco Lux S.A.
Lorenzo PIZZUTI, Head of Risk Management, Fondaco Lux S.A.

Until September 1, 2016
Luciano ORIFIAMMI, former chairman of the Board of Directors and of the Investment Committee of the Fondo Pensione per il personale delle Aziende del Gruppo Unicredito Italiano, Milan Italy



Organisation and Administration (continued)

Robert DeNORMANDIE, associate of the director's office, an affiliate of MDO Services, Luxembourg

Custodian and Paying Agent

Société Générale Bank & Trust
11, avenue Emile Reuter, L-2420 Luxembourg,
Grand Duchy of Luxembourg

Administrative, Corporate and Domiciliary Agent

Société Générale Bank & Trust (operational center)
28-32, Place de la gare, L-1616 Luxembourg,
Grand Duchy of Luxembourg

Registrar Agent

Société Générale Bank & Trust (operational center)
28-32, Place de la gare, L-1616 Luxembourg,
Grand Duchy of Luxembourg

Investment Manager

Board of Directors of the Company

Sub-Investment Managers

Edmond de Rothschild Asset Management (UK)
Limited
4 Carlton Gardens, London SW1Y 5AA, England
(for the Sub-Fund EFFEPILUX ALTERNATIVE -
Alternativo)

Partners Group AG
Zugerstrasse 57, Baar-Zug, Switzerland
(for the Sub-Fund EFFEPILUX ALTERNATIVE -
R.E.)

Investment Adviser

Cambridge Associates Limited
80 Victoria Street, Cardinal Place, SW1E 5JL,
London, United Kingdom
(for the Sub-Fund EFFEPILUX ALTERNATIVE -
Alternativo)

Cabinet de révision agréé

Deloitte Audit, Société à responsabilité limitée
560, rue de Neudorf, L-2220 Luxembourg,
Grand Duchy of Luxembourg



General information on the Company

EFFEPILUX ALTERNATIVE, is an open-ended investment company organised as a *société anonyme* under the laws of the Grand Duchy of Luxembourg and qualifies as a *Société d'Investissement à Capital Variable* ("SICAV" or the "Company") and a *Fonds d'Investissement Spécialisé* under the Law of 13 February 2007 relating to Specialised Investment Funds (the "SIF Law") as amended, with several separate Sub-Funds (individually a "Sub-Fund" and collectively the "Sub-Funds") pursuant to article 71 of the SIF law.

The Company was incorporated on December 31, 2009 with a Share capital of 31 000 EUR divided into 31 shares of no par value of the EFFEPILUX ALTERNATIVE - Alternativo Sub-Fund.

The articles of incorporation of the Company were published in the *Mémorial C, Recueil Spécial des Sociétés et Associations du Grand-Duché de Luxembourg* (hereinafter the "Mémorial") on 15 January 2010, after having been registered with the District Clerk of the Court of Luxembourg, where they can be consulted and where copies can be obtained against payment of the Court fees.

The Board of Directors may issue Shares of different classes (individually a "Class" and collectively the "Classes") in each Sub-Fund. A separate pool of assets is maintained for each Sub-Fund and is invested in accordance with the investment objective applicable to the relevant Sub-Fund. As a result, the Company is an "umbrella Fund" enabling investors to choose between one or more investment objective(s) by investing in one or more Sub-Fund(s).

At December 31, 2016 two Sub-Funds are in activity:

- EFFEPILUX ALTERNATIVE - Alternativo
- EFFEPILUX ALTERNATIVE - R.E.

The Board of Directors appointed Fondaco Lux S.A., which qualifies as a Chapter 15 management company pursuant to the 2010 Law, in order to act as its designated Management Company pursuant the Management Company Agreement, dated September 1, 2016.



Information to the Shareholders

The annual general meeting of Shareholders of the Company is held in Luxembourg on the 2nd Monday of June of each year at 10.00 a.m. or, if such day is not a business day in Luxembourg, on the next business day. For all general meetings of Shareholders notices are sent to registered Shareholders by post at least 8 days prior to the meeting. Notices, if required, will be published in the Mémorial and in a Luxembourg newspaper (if legally required) and in such other newspapers as the Board of Directors may decide. Such notices will include the agenda and specify the place of the meeting. The legal requirements as to notice, quorum and voting at all general and Sub-Fund or Class Meetings are included in the Articles. Meetings of Shareholders of any given Sub-Fund or Class shall decide upon matters relating to that Fund or Class only.

Annual reports, including audited financial statements are sent to the registered Shareholders and are made available for public inspection at each of the registered offices of the Company and the Domiciliary Agent.

The financial year of the Company ends on 31st December each year.



Report of the Board of Directors

EFFEPILUX ALTERNATIVE - Alternativo

2016 was transition's year for the Sub-Fund: the hedge investments are powered with CTA (Commodity Trading Advisor) and more long products to benefit from expected reflation that could be main theme of coming years. The hedge fund portfolio reached 155.5 EUR/M with appreciable return for CTA and beta alternative products, while the long/short funds delivered flat returns.

Private Equity investments benefited of the older vintage PE funds, returning high single digit yields. The Sub-Fund is still building PE investments; in 2016 2 investments were signed: the first one in the Venture Capital space and the second one on the LBO side. Private equity portfolio counts for approximately 68.5 EUR/M at the end of the year.

The Sub-Fund is also invested in a money market funds for approximately 10 M Euro.

Overall the Sub-Fund closed the year with an annual return of +3.52%.

The year-end Asset Under Management totalled 250.6 M euros.

EFFEPILUX ALTERNATIVE - R.E.

Total commitments of Effepilux Alternative R.E. Sub-Fund amounted to approximately 213M Euros at December 31, 2016, while total drawdowns on the portfolio approximated 190M Euros. Assets under Management are close to 238 million EUR: approximately 86% of the portfolio is allocated to Real Estate funds and 14% in liquidity.

At December 31, 2016, the Sub-Fund had 28 investments (11 directs, 12 primaries, 5 secondaries) distributed across North America (45.5%), Western Europe (48.5%), Asia Pacific and rest of the World (6.0%). Investments are well diversified among residential, retail, office and logistic properties. The portfolio mainly consists of Value-added investments (74.2%), while opportunistic investments count for the remaining 25.8%.

US real estate transaction volume totaled USD 488.6 billion in 2016 and USD 133.8 billion in the fourth quarter, representing a decrease of 11% and 20% over full-year and fourth quarter 2015 figures, respectively. Investor preference in 2016 shifted toward assets located in secondary and tertiary markets, moving away from core deals into value-added and development-related transactions. Meanwhile, transaction volume for core deals in the '6 Major Metros' fell 9% but increased 2% in the 'Non-Major Metros'. The US accounted for approximately 49% of global transaction volume for income-producing real estate in 2016, while only the apartment sector recorded positive gains of 3% year-on-year.

European real estate markets recorded USD 270.3 billion of investments in 2016, with fourth quarter volume of USD 83.4 billion. In local currency terms, European real estate market volume for the full-year 2016 decreased by 21% compared to year 2015, while fourth-quarter volume declined 14% over the same time period. The real estate market has been characterized by much uncertainty, attributed to political shocks, concerns over global trade, oil prices, and negative interest rates. Across real estate property types, transaction activity growth for industrial assets remained flat, while growth for all others recorded a decline. The most significant declines were observed across retail and hotel transactions at 29% and 25% year-on-year, respectively.

Overall the Sub-Fund closed the year with an annual return of +9.34%.

The year-end Asset Under Management totaled 237.9 EUR/M.

Luxembourg, May 24, 2017

The Board of Directors



To the Sole Shareholder of
EFFEPILUX ALTERNATIVE
Société anonyme
Société d'investissement à capital variable - Fonds d'investissement spécialisé
2, Place de Paris
L - 2314 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the Financial Statements

We have audited the accompanying financial statements of EFFEPILUX ALTERNATIVE (hereafter the "Company") and of each of its Sub-Funds, which comprise *the statement of net assets and the schedule of investments 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 information*.

Responsibility of the Board of Directors of the Company for the financial statements

The Board of Directors of the Company 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 Company 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 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 *Réviseur d'Entreprises Agréé's* judgement, 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 Company, 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 EFFEPILUX ALTERNATIVE and of each of its sub-funds as at December 31, 2016, and of the results of their operations and changes in their 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 Company 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 report of *Réviseur d'Entreprises Agréé* 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.

For Deloitte Audit, *Cabinet de Révision Agréé*


Laurent Fedrigo, *Réviseur d'Entreprises Agréé*
Partner

May 24, 2017

Statement of Net Assets

(expressed in the Sub-Fund's currency)

	Notes	EFFEPILUX ALTERNATIVE - Alternativo EUR	EFFEPILUX ALTERNATIVE - R.E. EUR	Combined EUR
ASSETS				
Securities portfolio at cost		210 834 733	176 725 877	387 560 610
Net unrealised profit/ (loss)		23 524 214	28 014 811	51 539 025
Securities portfolio at market value	2.2	234 358 947	204 740 688	439 099 635
Cash at bank		11 973 340	32 435 335	44 408 675
Time deposits		2 880 993	-	2 880 993
Dividends receivable, net		207 895	-	207 895
Unrealised appreciation on forward foreign exchange contracts	2.7, 6	613 171	-	613 171
Other assets		611 123	718 189	1 329 312
		250 645 469	237 894 212	488 539 681
LIABILITIES				
Payable for securities purchased		43 003	-	43 003
Management fees payable	3	15 048	499 195	514 243
Investment advisory fees payable	3	-	30 000	30 000
Depositary fees payable	4	12 840	12 013	24 853
Administration fees payable	4	14 076	13 169	27 245
Registrar Agent fees payable	4	1 433	1 433	2 866
Professional fees payable		46 883	56 276	103 159
Interest and bank charges payable	3	-	22 642	22 642
		133 283	634 728	768 011
TOTAL NET ASSETS		250 512 186	237 259 484	487 771 670



Statement of Operations and Changes in Net Assets

(expressed in the Sub-Fund's currency)

	Notes	EFFEPILUX ALTERNATIVE - Alternativo EUR	EFFEPILUX ALTERNATIVE - R.E. EUR	Combined EUR
Net assets at the beginning of the year		241 990 690	216 972 578	458 963 268
INCOME				
Distributions received	2.5	10 398 499	13 801 390	24 199 889
Bank interest	2.5	284 784	13 334	298 118
		10 683 283	13 814 724	24 498 007
EXPENSES				
Management fees	3	94 035	1 959 293	2 053 328
Investment advisory fees	3	201 667	120 000	321 667
Depositary fees	4	50 978	46 766	97 744
Administration fees	4	55 353	50 782	106 135
Registrar Agent fees	4	5 696	6 363	12 059
Professional fees		194 038	226 819	420 857
Interest and bank charges	3	6 625	104 589	111 214
Amortisation of formation expenses	2.6	-	826	826
Other expenses		3 291	54 538	57 829
		611 683	2 569 976	3 181 659
Net investment income/ (loss)		10 071 600	11 244 748	21 316 348
Net realised gains/ (losses) on				
- securities sold	2.3	(4 633 990)	2 773 102	(1 860 888)
- currencies	2.4	218 805	(224 171)	(5 366)
- forward foreign exchange contracts		(3 469 511)	-	(3 469 511)
		(7 884 696)	2 548 931	(5 335 765)
Net realised result for the year		2 186 904	13 793 679	15 980 583
Change in net unrealised profit/ (loss) on				
- securities		5 171 862	6 493 227	11 665 089
- forward foreign exchange contracts	2.7	1 162 730	-	1 162 730
		6 334 592	6 493 227	12 827 819
Result of operations		8 521 496	20 286 906	28 808 402
Movements in capital				
		-	-	-
Net assets at the end of the year		250 512 186	237 259 484	487 771 670

Statistical information

EFFEPILUX ALTERNATIVE - Alternativo

	Currency	31/12/16	31/12/15	31/12/14
Class C				
Number of shares		35 316 051.235	35 316 051.235	32 648 439.908
Net asset value per share	EUR	7.093	6.852	6.555
Total Net Assets	EUR	250 512 186	241 990 690	214 002 973

EFFEPILUX ALTERNATIVE - R.E.

	Currency	31/12/16	31/12/15	31/12/14
Class C				
Number of shares		22 806 272.872	22 806 272.872	18 825 653.741
Net asset value per share	EUR	10.403	9.514	8.126
Total Net Assets	EUR	237 259 484	216 972 578	152 971 093

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EFFEPILUX ALTERNATIVE - Alternativo

Schedule of Investments

Description	Quotation Currency	Market value EUR	% of net assets
Investment Funds			
Open-ended Investment Funds			
ALGEBRIS UCITS FUNDS PLC - ALGEBRIS FINANCIAL CREDIT FUND - IE	EUR	21 162 339	8.45
ARDIAN LBO VI	EUR	1 271 945	0.51
ATLAS INSTITUTIONAL FUND - C	EUR	18 763 676	7.49
CENTER BRIDGE CAPITAL PARTNERS III LP	USD	1 446 242	0.58
EDEN ROCK STRUCT. FIN. INST. - C	USD	-	0.00
EFFEPILUX SICAV - INVESTIMENTI A BREVE TERMINE - C	EUR	9 987 416	3.99
ENERGHEIA - A	EUR	4 360 681	1.74
FORT GLOBAL PLC	EUR	23 247 833	9.28
FRAZIER HEALTHCARE GROWTH FUND VIII	USD	472 204	0.19
F2I QUOTA DI PARTECIPAZIONE - B	EUR	13 109 543	5.23
HORSLEY BRIDGE XI VENTURE LP	USD	1 649 595	0.66
INVESCO PRIVATE CAPITAL	USD	2 333 495	0.93
JPM INDIA PROPERTY	USD	2 634 322	1.05
LANSDOWNE EUROPEAN EQUITY FUND LTD EURO D VOTING SHARE	EUR	6 961 738	2.78
LIONGATE 15	EUR	553 381	0.22
MARSHALL WACE UCITS FUND PLC - MW TOPS UCITS FUND - A	EUR	13 135 271	5.24
MICROFINANZA	EUR	4 492 424	1.79
NEXTAM VER CAPITAL CREDIT FUND - I	EUR	6 375 425	2.54
OBSIDIAN FUND LLC CLASS C	USD	41 262 681	16.47
OPTIMUM EVOLUTION FUND SIF	EUR	4 559 795	1.82
PALLMALL TEC. VENT. - V	EUR	-	0.00
PALLMALL TEC. VENT. - VII	EUR	-	0.00
PANTHEON EUROPE FUND IV LIMITED	EUR	1 181 546	0.47
PANTHEON USA FUND - VI	USD	2 040 005	0.81
PERENNIUS ASIA PACIFIC	USD	4 171 718	1.67
PERENNIUS GLOBAL VALUE	EUR	7 277 004	2.90
PERENNIUS GLOBAL VALUE	EUR	9 482 058	3.79
PINEBRIDGE INVESTMENTS	USD	1 726 243	0.69
PVE EUROPEAN DISTRESSED	EUR	14 164 317	5.65
RIVERROCK EUROPEAN CAPITAL MASTER FUND PUBLIC LTD COMPANY	EUR	2 842 348	1.13
SATOR PRIVATE EQUITY FUND	EUR	3 118 272	1.24
SILVER CREEK LOW VOL CONTINUATION FUND CAYMAN LP - AR	USD	2 539 350	1.01
SILVER CREEK LOW VOL FUND CAYMAN LP SIDE POCKET	USD	8 220	0.00
SILVER CREEK LOW VOL FUND CAYMAN LP SIDE POCKET - A	USD	121 344	0.05
SILVER CREEK LOW VOL FUND CAYMAN LP SIDE POCKET - B	USD	14 430	0.01
SILVER CREEK LOW VOL FUND CAYMAN LP SIDE POCKET - C	USD	192 950	0.08
SINERGIA II FUND	EUR	7 699 135	3.07
Total Open-ended Investment Funds		234 358 947	93.55
Total Investment Funds		234 358 947	93.55
Total Investments		234 358 947	93.55
Cash at banks		11 973 340	4.78
Other net assets		4 179 899	1.67
Total net assets		250 512 186	100.00

The accompanying notes form an integral part of these financial statements.

EFFEPILUX ALTERNATIVE - Alternativo
Classification of Investments

Economic classification	%
Investment Fund	93.55
	93.55

Geographical classification	%
Ireland	24.11
Cayman Islands	21.81
United States of America	17.71
Luxembourg	13.12
Italy	11.84
Switzerland	1.93
British Virgin Islands	1.29
United Kingdom	1.05
France	0.70
	93.55

EFFEPILUX ALTERNATIVE - R.E.

Schedule of Investments

Description	Quotation Currency	Market value EUR	% of net assets
Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market			
Shares			
BELLEMEAD-PARTNERS GROUP ACCESS 551 LP	USD	2 256 244	0.95
PROJECT AVENTINE	USD	4 186 525	1.76
PROJECT BRIDGE USD PRIVATE EQUITY 494	USD	2 016 152	0.84
PROJECT RESIDENCES RITZ CARLTON	USD	-	0.00
Total Shares		8 458 921	3.56
Total Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market		8 458 921	3.56
Investment Funds			
Open-ended Investment Funds			
ALTIS REAL ESTATE EQUITY PGA 561	AUD	495 736	0.21
BLACKSTONE REAL ESTATE PARTNERS VII USD	USD	13 561 202	5.72
CYPRESS ACQUISITION PARTNERS 559	USD	7 996 482	3.37
DJE - INTERCASH - I	EUR	10 018 975	4.22
EUROHIND HIGH INCOME FUND 489	EUR	9 364 638	3.95
EUROPEAN PROPERTY INV SPECIAL OPPTS PGA 487	EUR	4 541 331	1.91
FENCHURCH STREET PGA 700	GBP	5 503 513	2.32
FUTURUM PGA 736	NOK	17 915 504	7.55
NORMANDY REAL ESTATE III S 27	USD	-	0.00
NORMANDY REAL ESTATE III	USD	10 288 762	4.34
PARTNERS GROUP ACCESS 548 LP	NOK	8 287 738	3.49
PARTNERS GROUP ACCESS 641 LP	GBP	8 284 535	3.49
PARTNERS GROUP ACCESS 643 LP	GBP	-	0.00
PGA 635	EUR	9 552 879	4.03
PGA 687	EUR	10 553 065	4.45
PROJECT ACTA PGA 634	EUR	10 147 677	4.28
PROJECT LLOYD CENTER PGA 603	USD	4 400 052	1.85
PROJECT SOPRANOS PGA 737	EUR	11 576 126	4.88
PROJECT 200 NORTH MICHIGAN PGA S26	USD	5 754 842	2.43
PROJECT 200 NORTH MICHIGAN PGA 602	USD	6 554 489	2.76
SEB ASIAN PROPERTY II	EUR	16 923 965	7.13
SULLIVAN DEBT FUND	USD	8 910 618	3.76
SULLIVAN DEBT FUND PGA 567	USD	8 352 737	3.52
WM INDUSTRIAL PORTFOLIO 1	USD	7 296 901	3.08
Total Open-ended Investment Funds		196 281 767	82.73
Total Investment Funds		196 281 767	82.73
Total Investments		204 740 688	86.29
Cash at banks		32 435 335	13.67
Other net assets		83 461	0.04
Total net assets		237 259 484	100.00

EFFEPILUX ALTERNATIVE - R.E.

Classification of Investments

Economic classification	%
Investment Fund	82.73
Financial Services	1.80
Alternative Energy	1.76
	86.29

Geographical classification	%
United States of America	45.74
United Kingdom	22.68
Luxembourg	14.11
Ireland	3.76
	86.29



Notes to the financial statements

1 - General

The investment objective of the EFFEPILUX ALTERNATIVE - Alternativo Sub-Fund is to obtain an uncorrelated return from the main financial markets (equities and bonds), with the growth of the invested capital in the long term.

The investment objective of the EFFEPILUX ALTERNATIVE - R.E. is to invest mainly in core plus, value added and opportunistic real estate assets and strategies and will not be subject to any sector limitation.

Based on the self assessment on the status of EFFEPILUX ALTERNATIVE, the Company has been recorded by the CSSF as not qualifying as alternative investment fund within the meaning of article 1 paragraph 39 of the AIFM Law.

The Board of Directors has appointed Fondaco Lux S.A. which qualifies as a Chapter 15 management company pursuant to the 2010 Law in order to act as its designated Management Company pursuant to the Management Company Agreement dated September 1, 2016.

2 - Significant accounting policies

2.1 Presentation of financial statements

The financial statements are presented in accordance with legal and regulatory requirements and generally accepted accounting principles in Luxembourg, relating to undertakings for collective investment.

The valuation of the portfolio securities of the Sub-Funds EFFEPILUX ALTERNATIVE - Alternativo and EFFEPILUX ALTERNATIVE - R.E. is based upon available information, documentation and reporting at the Calculation Date, that is three business days after the valuation date, in compliance with the Private Placement Memorandum. As the process for the preparation of the financial statements of the Company takes place subsequently to this date, it is possible new and updated information may become available that indicates such valuations might be lower or higher. For this reason, the Net Asset Value shown in these Financial Statements may differ from the Net Asset Value at the Calculation Date. These differences have been reflected in the Net Asset Value Statements issued for subsequent Valuation Dates.

More specifically, for the year ended December 31st, 2016 net changes amounted to 2 984 324 EUR (+1.21% of total net assets and net asset value per share of EFFEPILUX ALTERNATIVE - Alternativo Sub-Fund) and 2 747 255 EUR (+1.17% of total net assets and net asset value per share of the EFFEPILUX ALTERNATIVE - R.E. Sub-Fund).

2.2 Valuation of investment in securities

2.2.1 The value of any securities, money market instruments and derivative instruments is determined on the basis of the last available price on the stock exchange or any other regulated market on which these securities, money market instruments or derivative instruments are traded or admitted for trading unless otherwise mentioned in the Prospectus. Where such securities, money market instruments or derivative instruments are quoted or dealt in one or by more than one stock exchange or any other regulated market, the Board of Directors makes regulations for the order of priority in which stock exchanges or other Regulated Markets are used for the provision of prices of securities, assets or derivative instruments.

2.2.2 If a security, money market instrument or derivative instrument is not traded or admitted on any official stock exchange or any regulated market, or in the case of securities, money market instruments and derivative instruments so traded or admitted, the last available price of which does not reflect their true value, the Board of Directors requires to proceed on the basis of their expected sales price, which shall be valued with prudence and in good faith.

2.2.3 Swaps contracts are valued at the market value fixed in good faith by the Board of Directors and according to generally accepted valuation rules. Asset based swap contracts are valued by reference to the market value of the underlying assets. Cash flow based swap contracts are valued by reference to the net present value of the underlying future cash flows.

2.2.4 Each share or unit in an open-ended investment fund are valued at the last available net asset value (or bid price for dual priced investment funds) whether estimated or final, which is computed for such unit or shares on the same calculation day, failing which, it shall be the last net asset value (or bid price for dual priced investment funds) computed prior to the calculation day on which the Net Asset Value of the shares in the SICAV is determined.

2.2.5 In respect of shares or units of an investment fund held by the SICAV, for which issues and redemptions are restricted and a secondary market trading is effected between dealers who, as main market makers, offer prices in response to market conditions, the Board of Directors may decide to value such shares or units in line with the prices so established.

Notes to the financial statements (continued)

2.2.6 If, since the day on which the latest net asset value was calculated, events have occurred which may have resulted in a material change of the net asset value of shares or units in other investment funds held by the SICAV-SIF, the value of such shares or units may be adjusted in order to reflect, in the reasonable opinion of the Directors, such change of value.

2.2.7 The value of any security which is dealt principally on a market made among professional dealers and institutional investors shall be determined by reference to the last available price.

2.2.8 Direct investment in real estate property will be valued on basis of the latest valuation made by independent valuers or on the basis of the transactions price.

If any of the aforesaid valuation principles do not reflect the valuation method commonly used in specific markets or if any such valuation principles do not seem accurate for the purpose of determining the value of the Company's assets, the Directors may fix different valuation principles in good faith and in accordance with generally accepted valuation principles and procedures.

2.2.9 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 shall be 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 shall be arrived at after making such discount as the Company may consider appropriate in such case to reflect the true value thereof.

2.3 Net realised gains or losses resulting from investments

The realised gain or loss resulting from the sales of investments is calculated on the basis of average cost of the investment sold.

2.4 Foreign exchange translation

The accounts are maintained in euro ("EUR") and the financial statements are expressed in that currency.

Cost of investment securities in currencies other than the EUR is translated in EUR at the exchange rates prevailing on the date of purchase.

Income or expenses expressed in currencies other than the EUR are converted at exchange rates ruling at the transaction date.

Assets and liabilities expressed in other currencies than the EUR are converted using the relevant spot rate quoted by a bank or other responsible financial institution. The realised or net unrealised gains or losses on foreign exchange are recognised in the Statement of Operations and Changes in Net Assets in determining the increase or decrease in net assets.

2.5 Income and distributions

This caption includes any distribution received from the underlying investments fund if executed without cancellation of shares or units held in the investments.

Dividends are credited to income on the date upon which the relevant securities are first listed as "exdividend".

Interest income is accrued on a daily basis.

2.6 Formation expenses

Formation expenses are amortised over a maximum period of five years.

2.7 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. Unrealised gains or losses resulting from outstanding forward foreign exchange contracts, if any, are recorded in the Statement of Net Assets.

2.8 Combined financial statements

The combined Statement of Net Assets and the combined Statement of Operations and Changes in Net Assets represent the total of the Statements of Net Assets and Statements of Operations and Changes in Net Assets of the individual Sub-Funds.



Notes to the financial statements (continued)

3 - Sub-investments Management fees, investments advisory fees, transactions fees, Performance fee and other expenses

The Company will pay out of the assets of the relevant Sub-Fund all expenses payable by the Company which shall include but not be limited to the fees payable to the Sub-Investment Managers including performance fees.

• Sub-Fund EFFEPILUX ALTERNATIVE - Alternativo:

In its capacity as Sub-Investment Manager of the Sub-Fund EFFEPILUX ALTERNATIVE - Alternativo, Edmond de Rothschild Asset Management (UK) Limited is entitled to receive fees, payable at the end of each calendar quarter, which will depend on assets under management and will amount to not more than 1% per annum of the average NAV of the relevant Sub-Fund pursuant to an agreement with the Company.

In its capacity as Investment Adviser of the Sub-Fund EFFEPILUX ALTERNATIVE - Alternativo, Cambridge Associates Limited is entitled to receive an Investment Advisory fee out of the assets of the Sub-Fund and as specified in the Investment Advisory Agreement.

• Sub-Fund EFFEPILUX ALTERNATIVE - R.E.:

In its capacity as Sub-Investment Manager of the Sub-Fund EFFEPILUX ALTERNATIVE - R.E., Partners Group AG will be entitled to receive the fees described below (together the "Sub Investment Management Fees") and to the reimbursement of its reasonable out of pocket expenses and disbursements.

Sub-Investment Management Fee: payable at the beginning of each quarter, and calculated, in respect of each Real Estate Investment, on the basis of the applicable Reference Commitment and percentage rates (which in each case shall be reduced annually by 10% of the rate prevailing immediately prior to such reduction, starting from the 1st of January of the year following the fifth anniversary of the relevant Transaction Date) indicated below:

Tranche I and Tranche II:

- Primary Financial Real Estate Investments: 0.1750% per quarter on the transaction value,
- Secondary Financial Real Estate Investments: 0.3125% per quarter on the transaction value,
- Direct Real Estate Investments: 0.3750% per quarter on the transaction value.

Mandate Management Fee: calculated on the basis of the Mandate Amount, outstanding from time to time and payable at the beginning of each quarter.

Tranche I and Tranche II : 0.0125% per quarter

For the sole purposes of calculation of the Mandate Management Fee, the Mandate Amount may not be less than the sum of the Reference Commitments outstanding from time to time.

The Mandate Management Fee are recorded in the Statement of Operations and Changes in Net Assets under the caption "Investment advisory fees".

Transaction Fee: 0.0125% per quarter on the transaction value, payable at the beginning of each quarter, and calculated, in respect of each Real Estate Investment, on each relevant Reference Commitment.

Such fees are recorded in the Statement of Operations and Changes in Net Assets under the caption "Interest and bank charges".

Performance Fee: with respect to the Real Estate Investments committed to from the date of the Effepilux Alternative - R.E. Sub-Investment Management Agreement up to December 31, 2015 and thereafter, in any single calendar year, once the Sub-Fund has received cumulative distributions equal to the cumulative Real Estate Investment drawdowns and a rate of return of 8% per annum calculated on the cumulative Real Estate Investment drawdowns, compounded annually (the "Preferred Return"), Partners Group AG shall be entitled to receive an amount equal to 10% of the Preferred Return.

Thereafter, out of the balance of the additional monies distributed by the Real Estate Investments (the "Incremental Amount"), 90% shall remain in the Sub-Fund, while the remaining 10% shall be paid to Partners Group AG.

No Performance Fee was accrued during the year 2016 in the Sub-Fund EFFEPILUX ALTERNATIVE -R.E.

Other expenses: out of commitment fees levied by the underlying investments to finance their operations.

Starting September 2016, a Management Company Fee of up to 0.04% per annum of the net assets of each Sub-Fund will be paid to the Management Company by the Company on a quarterly basis as set out in the Management Company Agreement.



Notes to the financial statements (continued)

4 - Depository and Paying Agent, Administrative Corporate and Domiciliary Agent, Registrar Agent fees

The Depository and Paying Agent is entitled to receive out of the assets of each Sub-Fund fees calculated in accordance with customary banking practice in Luxembourg and payable quarterly in arrears. In addition, the Custodian is entitled to be reimbursed by the Company for its reasonable out-of-pocket expenses and disbursements and for the charges of any correspondents.

The Administrative, Corporate and Domiciliary Agent is entitled to receive out of the assets of each Sub-Fund a fee in compliance with Luxembourg business practice and payable quarterly in arrears. In addition, the Administrative, Corporate and Domiciliary Agent is entitled to be reimbursed by the Company for its reasonable out-of-pocket expenses.

The Registrar Agent is entitled to receive out of the assets of each Sub-Fund a fee in compliance with Luxembourg business practice and payable quarterly in arrears. In addition, the Registrar Agent is entitled to be reimbursed by the Company for its reasonable out-of-pocket expenses.

5 - Taxation

The Company is not subject to any taxes in Luxembourg on income or capital gains. The Company is subject to a fixed registration duty on capital of EUR 1 250 at the time of its incorporation. Pursuant to Article 68 of the modified Law of February 13, 2007, the Company is subject in Luxembourg to the *taxe d'abonnement* at a rate of 0,01%.

Interest and dividend income received by the Company may be subject to non-recoverable withholding tax in the countries of origin. The Company may further be subject to tax on the realised or unrealised capital appreciation of its assets in the countries of origin.

6 - Forward foreign exchange contracts

As at December 31, 2016, the Company holds the following open forward foreign exchange contracts:

EFFEPILUX ALTERNATIVE - Alternativo

Purchase		Sale		Maturity date	Unrealised gain/(loss) EUR
EUR	58 288 947	USD	60 900 000	18-Jan-17	613 171
					613 171

The counterparty of the forward foreign exchange contracts is BANQUE PRIVEE EDMOND DE ROTHSCHILD S.A..

7 - Exchange rates

The following exchange rates have been used for the preparation of these financial statements:

1 EUR =	1.45660	AUD	1 EUR =	0.85360	GBP
1 EUR =	9.07900	NOK	1 EUR =	1.05475	USD

Notes to the financial statements (continued)


8 - Capital Commitments and Contributions

As at December 31, 2016, the Sub-Fund EFFEPILUX ALTERNATIVE - Alternativo had entered into the following capital commitments and made the following capital contributions:

		Total Capital Commitments	Capital Contributions
ARDIAN LBO FUND VI A	EUR	10 000 000	1 388 000
ENERGHEIA - A	EUR	5 000 000	5 000 000
F2I QUOTA DI PARTECIPAZIONE- B	EUR	15 000 000	13 913 062
MICROFINANZA	EUR	5 000 000	4 130 748
OPTIMUM EVOLUTION FUND SIF	EUR	3 000 000	3 000 000
PANTHEON EUROPEAN FUND IV LIMITED	EUR	5 000 000	4 685 000
PERENNIUS GLOBAL VALUE 2008	EUR	10 000 000	8 548 011
PERENNIUS GLOBAL VALUE 2010	EUR	10 000 000	8 576 400
RIVERROCK EUROPEAN CAPITAL MASTER FUND PUBLIC LTD COMPANY	EUR	3 000 000	2 874 226
SATOR PRIVATE EQUITY FUND	EUR	10 000 000	7 914 527
SINERGIA II FUND	EUR	15 000 000	9 117 046
TOTAL in EUR		91 000 000	69 147 021
CENTER BRIDGE	USD	5 000 000	1 303 200
FRAZIER HEALTHCARE GROWTH BUYOUT FUND VIII LP	USD	10 000 000	760 000
HORSLEY BRIDGE XI VENTURE LP	USD	15 000 000	1 993 500
INVESCO PRIVATE CAPITAL	USD	10 000 000	7 582 565
JPM INDIA PROPERTY	USD	5 394 000	5 075 945
PANTHEON USA FUND - VI	USD	5 100 000	4 816 950
PERENNIUS ASIA PACIFIC	USD	7 000 000	6 148 089
PINEBRIDGE INVESTMENTS	USD	11 300 000	10 265 058
TOTAL in USD		68 794 000	37 945 307

As at December 31, 2016, the Sub-Fund EFFEPILUX ALTERNATIVE - R.E. had entered into the following capital commitments and made the following capital contributions:

		Total Capital Commitments	Capital Contributions
ALTIS REAL ESTATE EQUITY PARTNERSHIP VINTAGE 2 PGA 561	AUD	3 800 000	3 336 209
TOTAL in AUD		3 800 000	3 336 209
EUR PROPERTY INVS SPECIAL OPPS III, L.P PGA 487	EUR	5 000 000	4 401 041
EUROPEAN HIND INCOME FUND ONE C.V PGA 489	EUR	6 151 843	3 320 526
FUTURUM 737	EUR	11 587 500	8 833 868
NORDIC STRATEGIES 635	EUR	9 500 000	9 025 000
PROJECT ACTA 634	EUR	8 793 691	8 793 691
SEB ASIAN PROPERTY II	EUR	20 000 000	19 994 894
SUMMER 687	EUR	11 011 036	9 322 574
TOTAL in EUR		72 044 070	63 691 594
COLOMBUS UK REAL ESTATE FUND II, L.P. PGA 643	GBP	10 000 000	8 585 858
INFRARED ACTIVE REAL ESTATE FUND III PGA 641	GBP	10 000 000	7 468 922
FENCHURCH STREET 700	GBP	9 458 667	6 766 225
TOTAL in GBP		29 458 667	22 821 005
FUTURUM 736	NOK	114 037 607	84 919 930
SEKTOR SHOPPING 548	NOK	49 503 448	48 729 957
TOTAL in NOK		163 541 055	133 649 887



Notes to the financial statements (continued)

AVENTINE LLC / SHARES PGA 498	USD	3 967 622	3 967 622
BELLEMEAD / EQUITY PGA 551	USD	1 880 400	1 880 400
BLACKSTONE REAL ESTATE PARTNERS VII, L.P. PGA 439	USD	15 000 000	15 115 499
CYPRESS ACQUISITION PARTNERS RETAIL FUND, L.P. PGA 559	USD	10 000 000	10 176 555
GATEWAY REAL ESTATE FUND V LP	USD	9 000 000	-
LLOYD CENTER PGA 603	USD	4 575 196	4 575 150
NORMANDY REAL ESTATE FUND III, L.P. S22	USD	9 381 187	8 028 492
NORMANDY REAL ESTATE FUND III, L.P. S27	USD	5 000 000	4 279 032
PROJECT 200 NORTH MICHIGAN PGA S26	USD	3 532 470	3 321 193
PROJECT 200 NORTH MICHIGAN 602	USD	4 023 615	3 782 963
PROJECT BRIDGE US PRIVATE EQUITY PGA 494	USD	4 158 047	3 850 235
PROJECT RESIDENCE RITZ CARLTON PGA 461	USD	4 200 000	4 167 692
SULLIVAN DEBT FUND L.P. PGA 556	USD	8 000 000	9 115 899
SULLIVAN DEBT FUND L.P. PGA 567	USD	7 500 000	7 991 383
WM INDUSTRIAL / COMMON EQUITY PG SERIES 28	USD	6 432 205	6 155 792
	TOTAL in USD	96 650 742	86 407 907

9 - Transactions with related parties

The Sub-Fund EFFEPILUX ALTERNATIVE - R.E. invests in a variety of vehicles underwritten by Partners Group AG, the sub-investment manager selected to manage the Portfolio of the Sub-Fund. The portfolio selections are reviewed by the Board of Directors of Company to ensure full compliance with the strategic direction of the portfolio as presented in the prospectus.

Corrado Galeassi

CORRADO GALEASSI / DIRECTOR

Pier Candido Vaisetti

PIER CANDIDO VAISETTI / DIRECTOR

EFFEPILUX ALTERNATIVE

Annual report including the audited financial statements