

**Annual report including audited financial statements
as at 31st December 2018**

CIGOGNE CLO ARBITRAGE

An investment company with variable share capital (SICAV) subject to the Luxembourg Law of 13th February 2007, as amended, relating to specialised investment funds

R.C.S. Luxembourg B156998



Alternative Investment Fund Manager: CIGOGNE MANAGEMENT S.A.
R.C.S. Luxembourg B 101 547

CIGOGNE CLO ARBITRAGE

Contents

Organisation 2

Report on activities of the Board of Directors 4

Report of the réviseur d'entreprises agréé..... 5

Combined statement of net assets 8

Combined statement of operations..... 9

Combined statement of changes in net assets 10

CIGOGNE CLO ARBITRAGE - EUROPE..... 11

 Statement of net assets..... 11

 Statement of operations 12

 Statement of changes in net assets..... 13

 Statistical information 14

 Statement of investments and other net assets..... 15

 Industrial and geographical classification of investments 17

Notes to the financial statements 18

Additional information (unaudited) 21

CIGOGNE CLO ARBITRAGE

Organisation

Registered Office

18, Boulevard Royal
L-2449 LUXEMBOURG

Board of Directors of the SICAV

Chairman

Fernand REINERS
Membre du Comité de Direction
BANQUE DE LUXEMBOURG
Société Anonyme
14, Boulevard Royal
L-2449 LUXEMBOURG

Directors

Joffrey CZURDA
Directeur
Responsable des Investissements
CIGOGNE MANAGEMENT S.A.
18, Boulevard Royal
L-2449 LUXEMBOURG

Benoît ELVINGER
Membre du Comité de Direction
BANQUE DE LUXEMBOURG
Société Anonyme
14, Boulevard Royal
L-2449 LUXEMBOURG

**Alternative Investment Fund Manager
("AIFM")**

CIGOGNE MANAGEMENT S.A.
18, Boulevard Royal
L-2449 LUXEMBOURG

Board of Directors of the AIFM

Chairman

Olivier VAILLANT
Directeur Général
CM-CIC ASSET MANAGEMENT
4, Rue Gaillon
F-75002 PARIS

Directors

Ruth BÜLTMANN
Independent Director
40, Rue d'Ernster
L-6977 OBERANVEN

Hugues DUBLY
DUBLY DOUILHET GESTION
50, Boulevard de la Liberté
F-59800 LILLE

Georges ENGEL
CONVENTUM ASSET MANAGEMENT
9, Boulevard Prince Henri
L-1724 LUXEMBOURG

Managing Directors of the AIFM

Guillaume BINNENDIJK
CIGOGNE MANAGEMENT S.A.
18, Boulevard Royal
L-2449 LUXEMBOURG

Joffrey CZURDA
CIGOGNE MANAGEMENT S.A.
18, Boulevard Royal
L-2449 LUXEMBOURG

CIGOGNE CLO ARBITRAGE

Organisation (continued)

	Georges VANDERMARLIERE CREDIT INDUSTRIEL ET COMMERCIAL (CIC) 6, Avenue de Provence F-75009 PARIS
Depositary and Central Administration	BANQUE DE LUXEMBOURG Société Anonyme 14, Boulevard Royal L-2449 LUXEMBOURG
Central Administration Subcontractor	EUROPEAN FUND ADMINISTRATION Société Anonyme 2, Rue d'Alsace L-1122 LUXEMBOURG
Cabinet de révision agréé	DELOITTE Audit Société à responsabilité limitée 560, Rue de Neudorf L-2220 LUXEMBOURG

CIGOGNE CLO ARBITRAGE

Report on activities of the Board of Directors

The Board of Directors of CIGOGNE CLO ARBITRAGE (the "AIF") examined the AIF's financial statements for 2018. Assets under management as of 31st December 2018 stand at EUR 251 million.

2018 has been characterized by a growing amount of doubts and uncertainties about global economic growth. Although the year started on an optimistic note, following a year of accelerating expansion, monetary policies normalization and various geopolitical issues triggered a sharp rise in volatility. American protectionism led to trade disputes with major economies such as China and the European Union. At the end of the year, the issue about the U.S. - Mexico border wall started the longest U.S. government shutdown. In Europe, negotiations about Brexit, the Italian budget as well as the migrant crisis contributed to affect global environment. The Turkish currency and debt crisis also increased those uncertainties. In this troubled environment, stock markets around the world experienced a great amount of volatility throughout the year and credit spreads widened. Central banks became more careful about the rise in interest rates and policy normalization. With fears of economic slowdown arising, our compartments posted mixed results. 2018 will be remembered as a challenging year with numerous political tensions threatening global economic growth and leading central banks to adapt or at least postpone the normalization of their policy.

The hedge fund industry posted a record level of assets under management in Q3 2018 with a total of USD 3,620 billion, before falling to USD 3,530 billion as at November 2018 (source: Prequin). These figures suggest that in spite of a complicated year and negative returns at the end of the period, hedge funds continue to provide investors with a protection against an economic slowdown. The HFRX Global Hedge Fund EUR Index (a diversified index weighted by assets designed to represent the global composition of the alternative funds universe), registered a -9.93% performance over the year.

The CLO sub-fund posted a negative performance in 2018 (-1.24%). The European primary market for securitizations backed by leveraged loans remained highly active, with new issuances meeting again with pre-crisis levels (€ 26.95 billion in new issues). In a low interest rates environment, investors focused on assets with optimal risk / return ratios and thus contributed to the dynamism of the primary market. As in the case of "vanilla" ABS, the rise of Italian political risk and the ongoing US-China trade war are the main reasons for credit spreads widening, of about sixty bps on AAA 5Y Euro CLOs (ranging from 65 to 125 bps in the year). Although the sub-fund's carry gains failed to offset the mark-to-market losses, the attractive level reached by the spreads enabled us to initiate 14 new strategies, 7 of which came from new issues.

Luxembourg, 4th April 2019

The Board of Directors

Note: The information in this report represents historical data and is not an indication of future results.

REPORT OF THE REVISEUR D'ENTREPRISE AGREE

To the Shareholders of
CIGOGNE CLO ARBITRAGE

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CIGOGNE CLO ARBITRAGE (the "SICAV") which comprise the statement of net assets and the statement of investments and other net assets as at 31st December 2018 and the statement of operations and the statement of changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the SICAV as at 31st December 2018, 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 and presentation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the "Responsibilities of the Réviseur d'Entreprises Agréé for the Audit of the Financial Statements" section of our report. We are also independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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.

Report of the réviseur d'entreprises agréé (continued)

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 concluded 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.

Responsibilities 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 the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the SICAV determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the SICAV is responsible for assessing the SICAV's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the SICAV either intends to liquidate the SICAV or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the Réviseur d'Entreprises Agréé for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the *Réviseur d'Entreprises Agréé* that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the SICAV;
- Conclude on the appropriateness of the Board of Directors of the SICAV's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the *Réviseur d'Entreprises Agréé* to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the *Réviseur d'Entreprises Agréé*. However, future events or conditions may cause the Fund to cease to continue as a going concern;

Report of the réviseur d'entreprises agréé (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Deloitte Audit, *Cabinet de Révision Agréé*

Martin Flaunet, *Réviseur d'Entreprises Agréé*
Partner

7th May 2019

CIGOGNE CLO ARBITRAGE

Combined statement of net assets (in EUR) as at 31st December 2018

Assets

Investments

Securities portfolio at market value	325,496,082.02
	<u>325,496,082.02</u>

Receivables

Margins on repurchase agreements receivable	1,160,000.00
Income receivable on portfolio	507,948.75
Interest receivable on swap contracts	192,248.39
Interest receivable on repurchase agreements	126,788.99
	<u>1,986,986.13</u>

Total assets

327,483,068.15

Liabilities

Payables

Interest payable on swap contracts	197,167.83
Unrealised loss on swap contracts	1,123.94
Unrealised loss on repurchase agreements	161.72
Margins on repurchase agreements payable	580,000.00
Expenses payable	114,394.03
	<u>892,847.52</u>

Borrowings

Bank overdrafts	164,943.04
Commitment on repurchase agreements	74,970,419.49
	<u>75,135,362.53</u>

Other liabilities

Prepaid subscriptions	126,000.00
	<u>126,000.00</u>

Total liabilities

76,154,210.05

Total net assets at the end of the year

251,328,858.10

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

CIGOGNE CLO ARBITRAGE

Combined statement of operations (in EUR) from 1st January 2018 to 31st December 2018

Income

Investment income

Interest on bonds and other debt securities, net	2,362,672.43
Interest on swap contracts	1,053,328.87
Interest on repurchase agreements	126,789.02
	<hr/>
	3,542,790.32

Realised gain on investments

- on securities portfolio	54,529.72
	<hr/>
	54,529.72

Total income

3,597,320.04

Expenses

Investment advisory or management fees

Management fees	251,823.50
	<hr/>
	251,823.50

Other expenses

Depository fees	119,666.52
Banking charges and other fees	57,165.00
Transaction fees	11,036.00
Central administration costs	15,000.00
Professional fees	29,296.80
Other administration costs	11,360.13
Subscription duty ("taxe d'abonnement")	25,220.60
Bank interest paid	1,997.40
Interest paid on bank deposits	17,251.55
Interest paid on swap contracts	1,073,755.95
Other fees	3,087.30
	<hr/>
	1,364,837.25

Depreciation of unrealised results on investments

- on securities portfolio	5,142,721.00
- on reverse-repurchase agreements	161.72
- on swap contracts	2,688.19
	<hr/>
	5,145,570.91

Total expenses

6,762,231.66

Net expenditure

-3,164,911.62

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

CIGOGNE CLO ARBITRAGE

Combined statement of changes in net assets (in EUR) from 1st January 2018 to 31st December 2018

Net expenditure	-3,164,911.62
Subscriptions	27,509,000.00
Redemptions	-5,177,005.71
Total changes in net assets	<hr/> 19,167,082.67
Total net assets at the beginning of the year	<hr/> 232,161,775.43
Total net assets at the end of the year	<hr/> 251,328,858.10 <hr/>

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

CIGOGNE CLO ARBITRAGE - EUROPE

Statement of net assets (in EUR)

as at 31st December 2018

Assets

Investments

Securities portfolio at market value	325,496,082.02
	<u>325,496,082.02</u>

Receivables

Margins on repurchase agreements receivable	1,160,000.00
Income receivable on portfolio	507,948.75
Interest receivable on swap contracts	192,248.39
Interest receivable on repurchase agreements	126,788.99
	<u>1,986,986.13</u>

Total assets

327,483,068.15

Liabilities

Payables

Interest payable on swap contracts	197,167.83
Unrealised loss on swap contracts	1,123.94
Unrealised loss on repurchase agreements	161.72
Margins on repurchase agreements payable	580,000.00
Expenses payable	114,394.03
	<u>892,847.52</u>

Borrowings

Bank overdrafts	164,943.04
Commitment on repurchase agreements	74,970,419.49
	<u>75,135,362.53</u>

Other liabilities

Prepaid subscriptions	126,000.00
	<u>126,000.00</u>

Total liabilities

76,154,210.05

Total net assets at the end of the year

251,328,858.10

Breakdown of net assets per share class

Share class	Number of shares	Currency of share class	NAV per share in currency of share class	Net assets per share class (in EUR)
A	25,233.347	EUR	9,921.01	250,340,206.94
O	96.447	EUR	10,250.72	988,651.16
				<u>251,328,858.10</u>

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

CIGOGNE CLO ARBITRAGE - EUROPE

Statement of operations (in EUR)

from 1st January 2018 to 31st December 2018

Income

Investment income

Interest on bonds and other debt securities, net	2,362,672.43
Interest on swap contracts	1,053,328.87
Interest on repurchase agreements	126,789.02
	<hr/>
	3,542,790.32

Realised gain on investments

- on securities portfolio	54,529.72
	<hr/>
	54,529.72

Total income

3,597,320.04

Expenses

Investment advisory or management fees

Management fees	251,823.50
	<hr/>
	251,823.50

Other expenses

Depository fees	119,666.52
Banking charges and other fees	57,165.00
Transaction fees	11,036.00
Central administration costs	15,000.00
Professional fees	29,296.80
Other administration costs	11,360.13
Subscription duty ("taxe d'abonnement")	25,220.60
Bank interest paid	1,997.40
Interest paid on bank deposits	17,251.55
Interest paid on swap contracts	1,073,755.95
Other fees	3,087.30
	<hr/>
	1,364,837.25

Depreciation of unrealised results on investments

- on securities portfolio	5,142,721.00
- on reverse-repurchase agreements	161.72
- on swap contracts	2,688.19
	<hr/>
	5,145,570.91

Total expenses

6,762,231.66

Net expenditure

-3,164,911.62

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

CIGOGNE CLO ARBITRAGE - EUROPE

Statement of changes in net assets (in EUR)

from 1st January 2018 to 31st December 2018

Net expenditure	-3,164,911.62
Subscriptions	27,509,000.00
Redemptions	-5,177,005.71
Total changes in net assets	<hr/> 19,167,082.67
Total net assets at the beginning of the year	<hr/> 232,161,775.43
Total net assets at the end of the year	<hr/> 251,328,858.10 <hr/>

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

CIGOGNE CLO ARBITRAGE - EUROPE

Statistical information (in EUR)

as at 31st December 2018

Total net assets	Currency	30.06.2017	31.12.2017	31.12.2018
	EUR	996,102,793.48	232,161,775.43	251,328,858.10

Net asset value per share	Currency	30.06.2017	31.12.2017	31.12.2018
A	EUR	-	10,045.59	9,921.01
O	EUR	10,318.44	10,379.44	10,250.72

Number of shares	outstanding at the beginning of the year	issued	redeemed	outstanding at the end of the year
A	23,011.162	2,738.368	-516.183	25,233.347
O	96.447	-	-	96.447

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

CIGOGNE CLO ARBITRAGE - EUROPE

Statement of investments and other net assets (in EUR) as at 31st December 2018

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<u>Investments in securities</u>					
<u>Transferable securities admitted to an official stock exchange listing</u>					
Asset backed securities					
EUR	5,300,000	Avoca CLO VIII Ltd FRN AR Ser 13X Reg S 17/15.10.30	5,300,000.00	5,231,333.73	2.08
EUR	6,700,000	Avoca CLO XI DAC FRN AR Ser 11X Reg S 17/15.07.30	6,695,310.00	6,641,375.00	2.64
EUR	16,000,000	Avoca CLO XV DAC FRN AR Ser 15X Reg S 18/15.04.31	16,000,000.00	15,631,652.80	6.22
EUR	4,700,000	Blackrock Eur CLO IV DAC FRN A Ser 4X Reg S 122A 17/15.07.30	4,700,000.00	4,623,153.59	1.84
EUR	11,800,000	BNPP AM Euro Clo 2017 BV FRN A Ser 17-1X Reg S 17/15.10.31	11,800,000.00	11,651,539.48	4.64
EUR	4,000,000	BNPP IP Euro CLO FRN ANE Ser 18-1X 18/15.04.31	4,000,000.00	3,941,774.00	1.57
EUR	3,900,000	BNPP IP Euro CLO FRN ARR Ser 15-1X Reg S 18/15.10.30	3,900,000.00	3,821,784.72	1.52
EUR	14,800,000	Caim CLO VI BV FRN ARE Ser16-6X CRR 405 Reg S 18/25.07.29	14,800,000.00	14,617,669.92	5.82
EUR	17,900,000	Carl GI Mk Str EUR CLO 13-1 BV FRN A1R Ser 13-1X 17/15.04.30	17,900,000.00	17,739,039.62	7.06
EUR	5,000,000	Carlyle GI Mk Str CLO 15-1 DAC FRN AA 1E Ser15-1X 17/16.04.29	5,002,500.00	4,971,797.50	1.98
EUR	8,600,000	Contego CLO II BV FRN ARNE Ser 2X Reg S 17/15.11.26	8,600,000.00	8,552,325.90	3.40
EUR	5,000,000	CVC Cordatus Loan Fund IV DAC FRN ARNE Ser4X Sen 17/24.01.28	4,983,000.00	4,975,383.50	1.98
EUR	7,100,000	Dryden 44 EUR CLO 2015 BV FRN A1RE Ser 15-44X 18/15.07.30	7,098,020.00	6,981,008.26	2.78
EUR	17,900,000	Euro Galaxy III CLO BV FRN AR Ser 13-3X 17/17.01.31	17,900,000.00	17,772,364.05	7.07
EUR	10,000,000	Euro Galaxy VI CLO DAC FRN ANE Ser 1 8-6X CRR 405 18/11.04.31	10,000,000.00	9,747,093.00	3.88
EUR	6,100,000	Euro-Galaxy V CLO BV FRN A Ser 2016- 5X 16/10.11.30	6,108,228.32	6,084,606.65	2.42
EUR	10,500,000	GoldenTree Loan Mgt EURCLO1DAC FRN A1AE Ser 1X 18/20.10.30	10,500,000.00	10,259,344.20	4.08
EUR	17,500,000	Harvest CLO X Designat Act Co FRN AR Ser 10X 17/15.11.28	17,500,000.00	17,458,000.00	6.95
EUR	5,000,000	Jubilee CLO 2014-XI BV FRN AR Ser 14- 11X Reg S 17/15.04.30	5,000,000.00	4,964,985.00	1.97
EUR	6,125,000	Jubilee CLO 2014-XIV BV FRN A1R Ser 1 4-14X Reg S 17/15.01.28	6,125,000.00	6,094,375.00	2.42
EUR	7,800,000	Jubilee CLO 2015-XV BV FRN AR Ser15- 15X Reg S 17/12.07.28	7,800,000.00	7,735,160.94	3.08
EUR	15,000,000	Providus CLO I DAC FRN ANE Ser 1X CRR 405 Reg S 18/14.05.31	15,000,000.00	14,657,526.00	5.83
EUR	10,000,000	Purple Finance CLO 1 DAC FRN ANE Ser 1X 122A RegS 18/25.01.31	10,000,000.00	9,815,687.00	3.90
EUR	15,000,000	Tikehau CLO BV FRN A1RE Ser 15-1X Reg S 122A 17/04.08.28	15,000,000.00	14,828,730.00	5.90
EUR	5,000,000	Tikehau CLO IV BV FRN Ser 4X Class A1NE Reg S 18/15.10.31	5,000,000.00	4,915,820.00	1.96
EUR	5,000,000	Tymon Park CLO Ltd FRN AA1E Ser 1X Sen 122A 18/21.01.29	5,000,000.00	4,958,250.00	1.97
EUR	7,500,000	Willow Park CLO DAC FRN A1E Ser 1X Reg S 17/15.01.31	7,500,000.00	7,363,912.50	2.93
Total asset backed securities			249,212,058.32	246,035,692.36	97.89
<u>Transferable securities dealt in on another regulated market</u>					
Asset backed securities					
EUR	6,550,000	Harvest CLO IX Designat Act Co FRN ARE Ser 9X 17/15.02.30	6,550,000.00	6,467,591.83	2.57
Total asset backed securities			6,550,000.00	6,467,591.83	2.57
<u>Other transferable securities</u>					
Asset backed securities					
EUR	8,900,000	Carlyle GI Mk Str CLO 16-2 DAC FRN AA 1E Ser 152X 17/21.09.29	8,900,000.00	8,817,946.45	3.51
EUR	34,000,000	EUR-Galaxy IV CLO BV FRN AR Ser 15- 4X 17/30.07.30	34,023,760.00	33,571,661.20	13.36
EUR	9,200,000	GLG Euro CLO III DAC FRN A Ser 3X Reg S 17/15.10.30	9,184,672.62	9,137,440.00	3.64
EUR	6,720,000	Harvest CLO XI FRN ARNE Ser 11X Reg S 122A 17/26.06.30	6,720,000.00	6,640,812.87	2.64

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

CIGOGNE CLO ARBITRAGE - EUROPE

Statement of investments and other net assets (in EUR) (continued) as at 31st December 2018

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
EUR	10,900,000	Marlay Park FRN A1AE Ser 1X Reg S 18/15.10.30	10,900,000.00	10,656,809.01	4.24
EUR	4,200,000	Penta CLO 5 DAC FRN A1E Ser 18-5X CRR 405 Reg S 18/20.10.32	4,179,000.00	4,168,128.30	1.66
Total asset backed securities			73,907,432.62	72,992,797.83	29.05
Total investments in securities			329,669,490.94	325,496,082.02	129.51
Bank overdrafts				-164,943.04	-0.07
Other net assets/(liabilities)				-74,002,280.88	-29.44
Total				251,328,858.10	100.00

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

CIGOGNE CLO ARBITRAGE - EUROPE

Industrial and geographical classification of investments as at 31st December 2018

Industrial classification

(in percentage of net assets)

Financials	129.51 %
Total	<u>129.51 %</u>

Geographical classification

(by domicile of the issuer)

(in percentage of net assets)

The Netherlands	64.97 %
Ireland	64.54 %
Total	<u>129.51 %</u>

CIGOGNE CLO ARBITRAGE

Notes to the financial statements

as at 31st December 2018

Note 1 - General information

CIGOGNE CLO ARBITRAGE (the "SICAV") is an investment company with variable share capital in the form of a "Société d'Investissement à Capital Variable" with multiple sub-funds and subject to the Luxembourg Law of 13th February 2007 as amended on Specialised Investment Funds and qualifies as an Alternative Investment Fund ("AIF") in accordance with the amended Law of 12th July 2013. The SICAV was incorporated on 22nd November 2010 for an unlimited period.

The following documents are available to the shareholder:

- the offering document and the Articles of Association of the SICAV,
- the subscription form for the SICAV,
- the annual reports including audited financial statements of the SICAV.

The complaint settlement procedure foreseen by the CSSF Regulation N° 16-07 relating to the out-of-court resolution of complaints is available at the registered office of the SICAV.

Note 2 - Significant accounting policies

a) Presentation of the financial statements

The financial statements of the SICAV are established in accordance with the Luxembourg legal and regulatory requirements concerning specialised investment funds and with generally accepted accounting principles in Luxembourg.

b) Valuation of assets

The value of cash in hand or on deposit, of bills and notes payable on demand and accounts receivable, prepaid expenses, dividends and interest announced or due for payment and not yet collected is formed by the nominal value of such assets, unless however it appears unlikely that this value can be collected; in the latter instance, the value will be determined by deducting an amount that the SICAV deems appropriate to reflect the fair value of these assets.

The value of securities and instruments which are quoted or traded on a stock exchange is determined according to the last quoted or traded price known on the principal market for each security or instrument at the relevant Valuation Day.

The value of securities and instruments which are traded on another regulated market, functioning regularly, recognised and open to the public, is determined according to the last traded price known at the relevant Valuation Day.

The value of the securities representing units or shares of an undertaking for collective investment is determined in accordance with their last official net asset value per unit or share or according to their last estimated net asset value if this is more recent than the official net asset value, provided that the SICAV is assured that the valuation method used for this estimate is consistent with that utilised for the calculation of the official net asset value.

The valuation of derivatives traded over-the-counter (OTC), such as swaps, futures, forward or option contracts not traded on exchanges or on other recognised markets, is based on their net liquidating value determined, pursuant to the policies established by the Board of Directors of the SICAV on the basis of recognised financial models in the market and in a consistent manner for each category of contracts. The net liquidating value of a derivative position is to be understood as being equal to the net unrealized profit/loss with respect to the relevant position.

Insofar as the securities or instruments in the portfolio on the Valuation Day are not listed or traded on a stock exchange or on another regulated market, functioning regularly, recognised and open to the public, or in the event that, for securities, instruments listed and traded on a stock exchange or on another market or securities representing units or shares of an undertaking for collective investment, the price determined pursuant to paragraphs above is not representative of the fair value of the securities, instruments or securities representing units or shares of an undertaking for collective investment, the valuation is estimated prudently and in good faith.

c) Acquisition cost of securities in the portfolio

The acquisition cost of the securities held by the Sub-Fund that are denominated in currencies other than the reference currency of the Sub-Fund is converted into this currency at the exchange rate prevailing on the date of purchase.

d) Realised gain/(loss) on securities portfolio

The realised gains and losses on securities portfolio are calculated on the basis of the average acquisition cost and are recorded in the statement of operations.

CIGOGNE CLO ARBITRAGE

Notes to the financial statements (continued)

as at 31st December 2018

e) Investment portfolio income

Interest income accrued and payable is recorded, net of any withholding tax.

f) Conversion of foreign currencies

Cash at banks, other net assets and liabilities and the market value of the securities in portfolio expressed in currencies other than the reference currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the financial statements. Income and expenses expressed in currencies other than the reference currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the transaction. Realised gains or losses on foreign exchange are recorded in the statement of operations.

g) Valuation of swap contracts

In an interest rate swap, the SICAV exchanges with another party their respective commitments to pay or receive interest on a specified notional principal amount. Unrealised gains or losses are recorded in the statement of net assets. Net variation of unrealised gains and losses and net realised gains and losses are recorded in the statement of operations.

h) Repurchase agreements and Reverse-repurchase agreements

Repos are similar to secured borrowings of funds equal to the sale prices of the related collateral.

Reverse-repos are similar to secured lending of funds.

Repos and reverse-repos transactions are accounted for as borrowings and loans, respectively, for the amount of cash received and/or paid. Interest is accrued separately and is included in the appropriate asset and liability heading.

Note 3 - Subscription tax ("*taxe d'abonnement*")

The SICAV is governed by Luxembourg law.

Pursuant to the legislation and regulations in force, the SICAV is subject to an annual subscription duty ("*taxe d'abonnement*") of 0.01% which is payable quarterly and calculated on the basis of the net assets of the Sub-Fund on the last day of each quarter.

Pursuant to Article 68 (2a) of the amended Law of 13th February 2007 the net assets invested in Undertakings for Collective Investment already subject to the "*taxe d'abonnement*" are exempt from this tax.

Note 4 - Management fees

The AIFM receives a management fee of 0.10% p.a., payable quarterly and based on the average net assets of the respective share class of the SICAV.

Note 5 - Performance fees

The AIFM is entitled to a performance fee equal to maximum 20% of the increase in the Net Asset Value of the relevant Class in issue in respect of each Performance Period but only to the extent that such increase exceeds the High Water Mark.

The AIFM decided to fix the performance fees at 0.00% since 1st August 2017.

At the date of the financial statements, no performance fee was due.

Note 6 - Central administration costs

The caption "Central administration costs" disclosed in the statement of operations is only composed of domiciliary fees.

CIGOGNE CLO ARBITRAGE

Notes to the financial statements (continued)

as at 31st December 2018

Note 7 - Swap contracts

As at 31st December 2018, the following interest rate swap contracts are opened:

CIGOGNE CLO ARBITRAGE - EUROPE

Nominal	Currency	Maturity	Unrealised result (in EUR)
Counterparty : CIC, Paris			
5,000,000	EUR	15.04.2019	-59.54
6,500,000	EUR	26.03.2019	-63.29
4,000,000	EUR	15.04.2019	-23.42
8,000,000	EUR	14.01.2019	-30.98
10,000,000	EUR	11.01.2019	-26.56
10,500,000	EUR	22.01.2019	-28.64
18,000,000	EUR	15.01.2019	-63.60
7,500,000	EUR	15.01.2019	-26.50
18,000,000	EUR	17.01.2019	-63.27
4,500,000	EUR	15.01.2019	-15.90
11,000,000	EUR	15.01.2019	-38.86
5,000,000	EUR	15.01.2019	-17.67
6,000,000	EUR	15.01.2019	-21.20
5,000,000	EUR	22.01.2019	-13.64
12,000,000	EUR	15.01.2019	-42.40
6,500,000	EUR	15.01.2019	-22.96
5,500,000	EUR	15.01.2019	-19.43
4,000,000	EUR	15.01.2019	-14.13
16,000,000	EUR	16.01.2019	-63.66
9,000,000	EUR	15.01.2019	-31.80
15,000,000	EUR	25.01.2019	-32.35
10,000,000	EUR	25.01.2019	-21.56
34,000,000	EUR	30.01.2019	-72.77
15,000,000	EUR	04.02.2019	-44.85
15,000,000	EUR	14.02.2019	-47.84
6,000,000	EUR	11.02.2019	-19.53
9,000,000	EUR	21.03.2019	-81.12
4,000,000	EUR	22.07.2019	-99.99
7,000,000	EUR	15.01.2019	-16.48
			<u>-1,123.94</u>

Note 8 - Repurchase agreements

As at 31st December 2018, the Sub-Fund is committed in repurchase agreements for the following amount:

Currency	Global exposure (amount repurchase agreements including interests)
CIGOGNE CLO ARBITRAGE - EUROPE	EUR 74,843,630.50

Note 9 - Subsequent events

At the date of the financial statements, there were no subsequent events to be disclosed.

CIGOGNE CLO ARBITRAGE

Additional information (unaudited)

as at 31st December 2018

1 - Risk management

CIGOGNE CLO ARBITRAGE's primarily uses all types of debt securities and debt instruments issued by public and/or private issuers worldwide, including, without limitation, fixed rate bonds, variable rate bonds, inflation linked bonds, collateralised debt obligations, collateralised loan obligations, mortgage backed securities, asset backed securities.

- The aim of the CIGOGNE CLO ARBITRAGE - EUROPE sub-fund is to invest in European Collateralized Loan Obligations (CLO).
Arbitrage strategies set forth in the CIGOGNE CLO ARBITRAGE - EUROPE sub-fund consist in taking advantage of the credit component and the interest rate risk is systematically hedged. The portfolio is composed of prime CLO tranches with an average duration of less than 4 years.
As opposed to an ABS' collateral, the loan portfolio of a CLO is actively managed in order to achieve its performance objectives. The collateral manager picks the underlying loans based on his credit analysis, withing the scope of the portfolio's eligibility requirements.
The portfolio is well diversified with 34 strategies on 31st December 2018. The leverage of sub-fund is 1.30 time of its Net Assets in accordance with the commitment method and 2.44 times in accordance with the gross method. The Value-at-Risk (20 days, 99%) is 0.80% of its Net Assets.

Additionally, the Board of Directors has established and maintains adequate internal control and risk management systems of the SICAV in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of error or fraud in achieving the SICAV's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board of Directors has contracted with the Central Administration to put procedures in place to ensure all relevant accounting records are properly maintained and are readily available, including the production of annual and semi-annual reports. The Board of Directors, from time to time, also examines and evaluates the Management Company's/administrators' financial accounting and reporting routines.

The annual report of the SICAV are required to be approved by the Board of Directors of the SICAV and filed with the "Commission de Surveillance du Secteur Financier" (CSSF) and the "Registre de Commerce et des Sociétés" (RCS). The annual statutory financial statements are required to be audited by independent auditors who report to the Board of Directors on their findings. The Board of Directors, from time to time, also monitors and evaluates the external auditors' performance, qualifications and independence.

The Board meets at least twice time a year and ensures that the SICAV maintains high standards of integrity and control in its operations and that it possesses adequate governance and means of control as law and regulation demand.

More information is available on our website www.cigogne-management.com.

2 - Remuneration

Regarding the remuneration, CIGOGNE MANAGEMENT S.A. has established a remuneration policy fully consistent with Credit Mutuel Group's policy. Its rules include both fixed and variable remunerations paid by the AIFM either to its staff or its senior management. For 2018, figures were:

Fixed	EUR 1,238,691
Variable	EUR 460,102

Number of employees:
17 headcount

Details of the AIFM's remuneration policy, including a description of how remuneration and benefits are calculated, are available by contacting the AIFM.

CIGOGNE CLO ARBITRAGE

Additional information (unaudited) (continued)

as at 31st December 2018

3 - Information concerning the transparency of securities financing transactions and of reuse of cash collateral (regulation EU 2015/2365, hereafter "SFTR")

During the reporting period, the SICAV was concerned by repurchase transactions in the context of the publication requirements of the SFTR.

		CIGOGNE CLO ARBITRAGE - EUROPE (in EUR)
Global data: assets used for repurchase agreements		
	in absolute terms	74,843,630.50
	as a percentage of lendable assets of the Sub-Fund	22.99%
Concentration data		
10 largest collateral issuers		
	first	-
	gross volumes for open trades	-
Top 10 counterparties		
	name of counterparty	Credit Ind & Commercial SA
	gross volume of outstanding transactions	-74,843,630.50
Aggregate transaction data for securities borrowing		
Type and quality of the collaterals received		
	AAA bonds collateral	-
	listed equities collateral	-
	cash collateral	580,000.00
Collaterals classified according to their residual maturities (absolute amounts)		
	less than 1 day	-
	from 1 day to 1 week (= 7 days)	-
	from 1 week to 1 month (= 30 days)	-
	from 1 month to 3 months	-
	from 3 months to 1 year (= 365 days)	-
	above 1 year	-
	open maturity	580,000.00
Country (countries) in which the counterparties are established		
		FR
Type of settlement and clearing		
	tri-party	-
	Central Counterparty	-
	bilateral	-74,843,792.22
Data on reuse of collateral received		
	% foreseen in prospectus	re-use of collateral granted under the leveraging arrangement
	collateral received that is reused	-
	cash collateral reinvestment returns to the Sub-Fund	-
Safekeeping of collateral received		
	number of depositaries	1
	name of depositaries	Credit Ind & Commercial SA
	amounts of assets received as collateral	580,000.00
Return and cost components		
Return component of the Fund		
	In absolute terms	126,789.02
	As a percentage of overall returns	-
Cost component of the Fund		
	In absolute terms	-
	As a percentage of overall returns	-
Return component of the capital management company		
	In absolute terms	-
	As a percentage of overall returns	-
Cost component of the capital management company		
	In absolute terms	-
	As a percentage of overall returns	-
Return component of third parties		
	In absolute terms	-
	As a percentage of overall returns	-
Cost component of third parties		
	In absolute terms	-
	As a percentage of overall returns	-