

# JKC FUND

Société d'Investissement à Capital Variable ("SICAV")  
with multiple sub-funds  
incorporated under Luxembourg law

Audited Annual Report  
As at December 31<sup>st</sup>, 2016

Luxembourg Trade and Companies Register (R.C.S.) No. B 144.551

Subscriptions may only be accepted on the basis of the latest prospectus which is only valid if accompanied by the last available annual report and, if applicable, the last available half-yearly report if the latter was published after the last annual report.

# JKC FUND

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# JKC FUND

## Organization

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### **Registered Office :**

12, rue Eugène Ruppert, L-2453 Luxembourg

### **Date of incorporation :**

January 19<sup>th</sup>, 2009

### **Board of Directors :**

#### **Chairman :**

- Mr Fabrice Jacob, CEO,  
JK Capital Management Ltd.

#### **Directors :**

- Mr Alex King Yue Leung, CFO and Risk Manager,  
JK Capital Management Ltd.
- Mr Jean-Luc Neyens, Director,  
Banque Degroof Petercam Luxembourg S.A. (\*)
- Ms Pascale Auclair, Managing Director,  
La Française AM, Paris

### **Management Company :**

La Française AM International  
2, boulevard de la Foire, L-1528 Luxembourg

### **Investment Manager :**

JK Capital Management Ltd.  
Suite 1101, Chinachem Tower, 34-37 Connaught  
Road Central, Hong Kong

### **Hedging Manager :**

Degroof Petercam Asset Services S.A. (\*)  
12, rue Eugène Ruppert, L-2453 Luxembourg

### **Custodian, Domiciliary and Corporate Agent, Administrative Agent, Paying Agent, Registrar and Transfert Agent :**

Banque Degroof Petercam Luxembourg S.A. (\*)  
12, rue Eugène Ruppert, L-2453 Luxembourg

### **Cabinet de Révision agréé :**

KPMG Luxembourg, Société Cooperative,  
39, avenue John F. Kennedy, L-1855 Luxembourg

(\*) Cf. Note 8

# JKC FUND

## General Information of the Fund

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JKC FUND (the "SICAV") is an open-ended investment company organized under the laws of the Grand Duchy of Luxembourg as a "Société d'Investissement à Capital Variable".

The SICAV was incorporated for an unlimited period of time on January 19<sup>th</sup>, 2009 and is governed by the Luxembourg law of August 10<sup>th</sup>, 1915 on commercial companies, as amended, and by the Part 1 of the Law of December 17<sup>th</sup>, 2010 concerning undertakings for collective investment, as may be amended from time to time.

The SICAV is registered at the "Registre de Commerce et des Sociétés" with the District Court of Luxembourg under the number B 144.551.

The Articles were published in the "Mémorial C, Recueil des Sociétés et Associations" (the "Mémorial") of February 20<sup>th</sup>, 2009. Any interested person may inspect this document at the Chancery of the District Court of Luxembourg; copies are available on request at the registered office of the SICAV.

The net asset value per share of each sub-fund is consolidated in USD on each Luxembourg bank business day.

The net asset value, the subscription price and the redemption price along with any other notices to the shareholders are available at the registered office of the Custodian Bank.

The prospectus, semi-annual and annual financial reports may be obtained at the registered office of the SICAV.

Additional determination of the net asset value per share is made on June 30<sup>th</sup> and December 31<sup>st</sup> for financial reporting purposes.

As at December 31<sup>st</sup>, 2016 the SICAV has two sub-funds named :

- JKC Fund - LA FRANÇAISE JKC China Equity ;
- JKC Fund - LA FRANÇAISE JKC Asia Value.

The sub-fund JKC Fund - LA FRANÇAISE JKC China Equity offers ten Capitalisation Shares :

- Class I EURO-HEDGED : Shares denominated in EUR and intended for institutional investors ;
- Class I USD : Shares denominated in USD and intended for institutional investors ;
- Class GP EURO-HEDGED : Shares denominated in EUR and intended for retail investors ;
- Class GP USD : Shares denominated in USD and intended for retail investors ;
- Class P EURO-HEDGED : Shares denominated in EUR and intended for all types of investors subscribing through Independent Financial Advisors ;
- Class P USD : Shares denominated in USD and intended for all types of investors subscribing through Independent Financial Advisors ;
- Class Q USD : Shares denominated in USD and intended for institutional investors, subject to a high minimum of holding and acceptance by the Board of Directors ;
- Class DC USD : Shares denominated in USD and intended for institutional investors, subject to a high minimum of holding and acceptance by the Board of Directors ;
- Class T EURO-HEDGED : Shares denominated in EUR and intended for any type of investors, subject to acceptance by the Board of Directors. This Class is a Trailer-Fee-Clean Share Class (T) ;
- Class T USD : Shares denominated in USD and intended for any type of investors, subject to acceptance by the Board of Directors. This Class is a Trailer-Fee-Clean Share Class (T).

The classes T EURO-HEDGED and Class T USD are not yet launched.

# JKC FUND

## General Information of the Fund

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The sub-fund JKC Fund - LA FRANÇAISE JKC Asia Equity offers eight Capitalisation Shares :

- Class I EURO-HEDGED : Shares denominated in EUR and intended for institutional investors ;
- Class I USD : Shares denominated in USD and intended for institutional investors ;
- Class GP EURO-HEDGED : Shares denominated in EUR and intended for retail investors ;
- Class GP USD : Shares denominated in USD and intended for retail investors ;
- Class P EURO-HEDGED : Shares denominated in EUR and intended for all types of investors subscribing through Independent Financial Advisors ;
- Class P USD : Shares denominated in USD and intended for all types of investors subscribing through Independent Financial Advisors ;
- Class T EURO-HEDGED : Shares denominated in EUR and intended for any type of investors, subject to acceptance by the Board of Directors. This Class is a Trailer-Fee-Clean Share Class (T) ;
- Class T USD : Shares denominated in USD and intended for any type of investors, subject to acceptance by the Board of Directors. This Class is a Trailer-Fee-Clean Share Class (T).

The classes T EURO-HEDGED and Class T USD are not yet launched.

# JKC FUND

## Board of Directors' Report

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In our 2016 outlook report written twelve months ago, we noted that three key factors to drive markets across Asia would be the US Fed's policy, the oil price (and in general commodities prices) and the economic situation in China. We stated that US rate hikes would be gradual, that central banks across Asia would keep a loose monetary environment, that oil price would stay low and that the Chinese government would manage to circumvent many economic obstacles by reforming its state-owned enterprises and by cutting overcapacities. Looking back, our statements were largely true with the exception of our views on the oil price.

Markets started the year on an extremely negative tone somehow triggered by a slump in China's A share market and a 2% devaluation of its currency. There were concerns about a less-than-robust recovery of the US economy, further economic slowdown in Europe and the long-lasting fear of a hard landing in China. Policy rates moving deeper into negative territory across Europe and in Japan left the impression that central bankers were getting desperate to kick-start their respective economies through untested monetary policies, which was not particularly reassuring. Towards the end of the year, however, markets started to factor in a complete U turn on many fronts. The US economy is now expected to accelerate, inflation to pick up resulting in bond yields reversing their multiple year downward trend. The oil price more than doubled from its recent trough and major commodities rallied sharply on the back of expectations of a strong US fiscal stimulus.

As for China, despite Chinese equities having had a lacklustre performance in 2016 in Hong Kong and a negative performance in Shanghai and Shenzhen, the Chinese economy did actually quite well in 2016. The combination of shutting down the capital account while implementing cuts in overcapacity at the start of the year had a number of positive economic implications. It kept liquidity within the country (outflow of capital remained largely under control) while local governments were busy refinancing roughly 20% of their outstanding debt through the domestic bond market. The banking regulator clamped down on the peer-to-peer financial sector while supply-side reforms managed to turn deflationary pressure on prices into an inflationary one. Commodity producers and transformers realised that they had more to gain than to lose by cutting production volumes and benefiting from the resulting impact on selling prices. The stimulation of the economy through infrastructure spending at the start of the year had the expected impact over the second half of the year. The property sector did very well in 2016. It shows once again how reactive a planned economy with a closed capital account and a one-party system can be. The day the Chinese economy stops reacting to policies implemented by Beijing is when the world should really start to worry about China. This clearly has not happened yet and any fear of hard landing seems particularly misplaced, especially at a time when the Purchasing Price Index that measures the price of goods at factory gates has moved back into positive territory after five years of negative numbers. This is a direct indicator of industrialists re-stocking on raw materials and overcapacity being cut leading to lesser price competition. At the same time, profits and cash flows accelerated in Q2 and Q3 throughout most sectors, the commodity and material sectors showing the strongest turnaround.

So why did Chinese equities perform so poorly this year? Until October, the MSCI China was actually showing gains, despite a difficult start of the year when the Chinese government devalued its currency by 2%. The downturn in the fourth quarter had little to do with the macro picture of China, which was good, but everything to do with the surge of the US dollar and the impact of the US presidential election. The inflationary pressure that is expected from steep cuts in US tax rates has led US Treasury bonds' yield to spike. Rotation out of emerging markets equities and into US equities accelerated after the election of Donald Trump. It will probably carry on as long as the US dollar index and US Treasuries' yield keep on rising.

# JKC FUND

## Board of Directors' Report

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Looking outside China, in 2016, three countries under our coverage went through difficult political situations. Thailand adopted a new constitution that now prevents any party from gaining power without the blessing of the military. In Malaysia, the 1MDB scandal continued to escalate as an increasing number of foreign law enforcement agents started to investigate the case while Prime Minister Najib managed to secure his position by eliminating anyone on his path. In South Korea, President Park was suspended from office amidst impeachment proceedings as a result of a corruption scandal. Two countries, Taiwan and the Philippines, faced delicate situations as their newly elected presidents chose to adopt policies that antagonise their allies, the US in the case of the Philippines and China in the case of Taiwan. On the positive side, two countries made considerable progress by implementing tough measures. In Indonesia, President Widodo obtained a major success with his flagship tax amnesty program. And, in India, the introduction of a bankruptcy law, the approval by the parliament of a Goods and Services Tax reform and the demonetization of 500 and 1,000 rupees notes that was typically used to keep “black money” greatly helped to improve the country’s long term outlook.

In 2016, the La Française JKC China Equity sub-fund underperformed the MSCI China index by 5.8% after outperforming by 4.8% in 2015. This underperformance accrued largely during the first quarter as we completely missed the oil price rally that took place in February/March and that saw the barrel of oil move from USD26 to USD41 in four weeks. Oil producers represent 5.3% of the benchmark and we had no exposure at that time. Good picks this year included Xinyi Glass and Kweichow Moutai, two core holdings that gained 56% and 53% respectively, as well as our investments in Tongda, QTech, AAC Technologies, Nexteer and Beijing Enterprise Water that contributed altogether 4.9% of absolute performance. Biggest detractors hit us in the first quarter of the year when ZTE was investigated by the US government for having sold telecommunication equipment to Iran despite an ongoing embargo and when Wasion Group misled the market with unrealistic earnings forecasts. Despite having had a maximum authorised exposure to Tencent of 10% throughout the year, its strong performance of +24.4% in 2016 cost us in relative performance as its weighting in the index stood between 13% and 14% throughout the year.

The La Française JKC Asia Equity sub-fund underperformed the MSCI AC Asia ex Japan index by 5.8% in 2016 after having outperformed by 9.1% in 2015. The main detractors were found in China with poor performance coming from our property and insurance exposure. On the other hand our technology exposure in Korea and Taiwan did well, and so did most of our Indian stock picks. We suffered from the stand-off between the Korean and Chinese governments resulting from the purchase by Korea of US anti-missile equipment. Our Korean cosmetic companies that did so well in 2015 took the blow in 2016 when tourism and duty-free shopping got impacted.

### 2017 Outlook:

The single most important factor that will drive global markets in 2017 should be policies coming from Washington. Should President Trump announce a strong fiscal stimulus, the reflationary excitement would likely carry on, with further US dollar strengthening and US Treasuries’ yield rising, leading to continuous rotation out of emerging markets equities and into US equities. However, we believe that it is perhaps too early to claim the end of the low global interest rate environment. The amount of debt that results from nine years of quantitative easing in most developed countries is such that central bankers will most likely hesitate before they switch to monetary tightening as many countries would be pushed towards default. The global economy being far more leveraged than it was in the 80’s, the debt overhang will remain deflationary. This is why the prevailing consensus that the world is arguably moving back into inflation and that the interest rates cycle has permanently reversed

# JKC FUND

## Board of Directors' Report

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tends to push us into the contrarian camp. Being sceptical in front of such a powerful consensus may look awkward at this stage. To forecast policies directions from governments and central banks and their inflection points is not an easy job. We do not intend to do so. Instead, as fundamental stock pickers, we keep on focusing on structural themes and bottom-up stories. After all, as Charlie Munger put it, "micro-economics is what we do and macro-economics is what we put up with".

In terms of outlook for each country across our region, after such a good run in the second half of 2016 we expect the Chinese economy to slow down in 2017. The impact of stimulus measures will fade away, a high base effect will start to affect statistics and home purchase restrictions that were re-introduced in 22 cities of China to cool down property prices will start having an impact. But as long as the capital account remains closed, the central bank should be able to keep a good handle on internal liquidity and adjust it through the use of repos and reverse repos without too much external interference. This is all the more critical at a time when the central government's priority for 2017 is to slow down debt formation. Given the unexpected success the government had with its supply-side reforms in 2016, we believe it will carry on cutting overcapacity. This will in turn have a continuing positive impact on commodities prices, on inflation and will help banks reduce their level of non-performing loans as a large part of the banks' NPLs are related to ailing State-Owned Enterprises within the commodities and material space. In other words, we are reasonably confident that the macro picture of China will be good in 2017, albeit not as good as the second half of 2016. Corporates should do reasonably well as a result.

Unfortunately geopolitics may spoil the party. Donald Trump and his team of advisors seem to be ready to give a hard time to China, whether it is through the implementation of 45% import tariffs, a requalification of the "One China Policy" by the US which may have consequences on the relationship between China and Taiwan or by labelling China a "currency manipulator" like it did between 1992 and 1994. Since the US joined the WTO in 1994 it has not labelled any country a "currency manipulator". Doing so today may trigger trade sanctions on both sides that could easily spin out of control.

India is the other country, with China, we are most comfortable with for 2017 as it also has a big domestic market, strong local liquidity and less external vulnerability. India is moving at full steam with its reform program, with Mr. Modi paying little interest to anyone who objects to his plans.

If the US dollar keeps on rising, Indonesia will show its vulnerability as its sovereign debt is largely owned by foreign investors. However it is a direct beneficiary of higher commodities prices.

Malaysia and Thailand are difficult to predict as politics can easily take the driver's seat. Unfortunately we do not see a lot of growth drivers in these two countries.

We like Taiwan as its central bank has always been very supportive of its currency, lowering the risk premium of the country. Furthermore it is a deep market with high liquidity and numerous investment opportunities, particularly in the tech space.

We remain prudent on the Philippines as remittances from overseas Filipinos are no longer a growth driver of the economy and as local inflationary pressure makes us believe that it will be the first country under our coverage to tighten its monetary policy.



# JKC FUND

## Board of Directors' Report

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In South Korea, we believe the worst is over. The situation between China and Korea can only get better for the reason that we do not see how it can get worse. President Park having been impeached, we believe it is time to look at Korea with a positive mind set. Any successor to President Park will most likely reconsider the anti-missile ballistic programme of his predecessor that annoyed so much the Chinese government.

Singapore remains a country that is driven more by global macro than local fundamentals. Oil price and US interest rates will be critical for the Singaporean stock market.

Despite all the negativity surrounding emerging markets within the context of a rising dollar, we are optimistic for the Asia region. Valuations are cheap, particularly in Northern Asia, growth is real, cash flows have improved significantly in 2016, earnings estimates for 2017 have been revised upwards and industrial companies are going through a restocking cycle. Furthermore the two locomotives of the region, China and India, are moving along their growth path without paying any attention to either internal or external pressure, both countries being run by extremely competent leaders. Being contrarian, we think Asian markets may surprise on the upside in 2017, especially if promises made during the US election campaign fail to materialise and if central bankers in key developed countries have second thoughts about hiking rates.

JK Capital Management Ltd.

Hong Kong, 20<sup>th</sup> January 2017

To the Shareholders of :  
JKC FUND  
12, rue Eugène Ruppert  
L-2453 Luxembourg

## **REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

We have audited the accompanying financial statements of JKC FUND ("the SICAV") and each of its sub-funds, which comprise the statement of net assets and the schedule of investments as at December 31<sup>st</sup>, 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.

### *Board of Directors of the SICAV responsibility for the financial statements*

The Board of Directors of the SICAV 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 financial statements, and for such internal control as the Board of Directors of the SICAV 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 about 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 judgment of the Réviseur d'Entreprises agréé, 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 SICAV, 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.

## REPORT OF THE REVISEUR D'ENTREPRISES AGREE (Continued)

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of JKC FUND and each of its sub-funds as of December 31<sup>st</sup>, 2016, and of the results of their operations and changes in their net assets for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

### *Other information*

The Board of Directors of the SICAV is responsible for the other information. The other information comprises the information included in the management 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.

Luxembourg, April 7<sup>th</sup>, 2017

KPMG Luxembourg, Société coopérative  
Cabinet de révision agréé



S. Smets

# JKC FUND

## Combined Statement of Net Assets as at December 31<sup>st</sup>, 2016

	Notes	Combined (IN USD)
<b><u>Assets</u></b>		
Investments in Securities	1a	80.403.173,59
Cash at Banks		4.499.795,70
Dividends Receivable on Shares		79.716,74
Interest Receivable on Cash Accounts		55,47
Amounts Receivable on Subscriptions		2.963.451,96
Amounts Receivable on Investment Sold		99.346,26
Unrealised Gain on Forward Exchange Contracts	7	619.695,57
<b>Total Assets</b>		<b>88.665.235,29</b>
<b><u>Liabilities</u></b>		
Taxes and Expenses Payable	3	268.484,62
Overdraft at Banks		74.528,63
Overdraft Interest Payable		0,47
Amounts Payable on Redemptions		2.976.147,72
<b>Total Liabilities</b>		<b>3.319.161,44</b>
<b>Net Assets at the end of the year</b>		<b>85.346.073,85</b>

The accompanying notes form an integral part of these Financial Statements.

# JKC FUND

## Combined Statement of Operations and Changes in Net Assets from January 1<sup>st</sup>, 2016 to December 31<sup>st</sup>, 2016

	Notes	Combined (IN USD)
<b><u>Income</u></b>		
Dividends, net of taxes	1h	1.898.241,49
Interest on Bonds, net of taxes		21.680,75
Interest on Cash Accounts		4.448,27
<b>Total Income</b>		<b>1.924.370,51</b>
<b><u>Expenses</u></b>		
Management Fees	5	100.209,78
Investment Management Fees	5	1.509.733,71
Hedging Fees	5	28.308,16
Custodian Fees		30.570,51
Subscription Tax	6	18.278,61
Administration Fees		235.880,45
Miscellaneous Fees		319.503,03
Transaction Fees		633.658,45
Overdraft Interest		5.887,03
Taxes paid to Foreign Authorities		18.058,63
<b>Total Expenses</b>		<b>2.900.088,36</b>
<b><u>Net Profit / (Loss)</u></b>		<b>-975.717,85</b>
<b><u>Net Realised Profit / (Loss)</u></b>		
- on investments	1c	-6.436.812,54
- on currencies		-179.762,51
- on forward exchange contracts		-1.647.627,85
<b><u>Net Realised Profit / (Loss)</u></b>		<b>-9.239.920,75</b>
<b><u>Change in Net Unrealised Appreciation / (Depreciation)</u></b>		
- on investments	1f	-659.818,03
- on forward exchange contracts		-906.263,11
<b>Result of Operations</b>		<b>-10.806.001,89</b>
Subscriptions / Redemptions		
- Subscriptions		21.965.649,60
- Redemptions		-44.285.789,01
<b>Net Changes in Net Assets for the Year</b>		<b>-33.126.141,30</b>
<b>Net Assets at the Beginning of the Year</b>		<b>118.472.215,15</b>
<b>Net Assets at the End of the Year</b>		<b>85.346.073,85</b>

The accompanying notes form an integral part of these Financial Statements.

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## Statement of Net Assets as at December 31<sup>st</sup>, 2016

	Notes	LA FRANÇAISE JKC China Equity (in USD)	LA FRANÇAISE JKC Asia Equity (in USD)
<b>Assets</b>			
Investments in Securities	1a	49.055.086,96	31.348.086,63
Cash at Banks		2.120.626,67	2.379.169,03
Dividends Receivable on Shares		23.592,94	56.123,80
Interest Receivable on Cash Accounts		0,00	55,47
Amounts Receivable on Subscriptions		0,00	2.963.451,96
Amounts Receivable on Investment Sold		99.346,26	0,00
Unrealised Gain on Forward Exchange Contracts	7	292.584,18	327.111,39
<b>Total Assets</b>		<b>51.591.237,01</b>	<b>37.073.998,28</b>
<b>Liabilities</b>			
Taxes and Expenses Payable	3	161.380,52	107.104,10
Overdraft at Banks		74.528,63	0,00
Overdraft Interest Payable		0,47	0,00
Amounts Payable on Redemptions		12.695,76	2.963.451,96
<b>Total Liabilities</b>		<b>248.605,38</b>	<b>3.070.556,06</b>
<b>Net Assets at the end of the year</b>		<b>51.342.631,63</b>	<b>34.003.442,22</b>
Number of Shares Outstanding (at the end of the Financial Year)			
- Class I EURO-HEDGED		524.596,686	145.419,260
- Class I USD		163.690,197	77.661,000
- Class GP EURO-HEDGED		61.036,151	90.438,000
- Class GP USD		33.218,009	13.081,500
- Class P EURO-HEDGED		9.375,034	42.963,310
- Class P USD		5.118,963	500,069
- Class Q USD		23.564,318	-
- Class DC USD		176.000,000	-
Net Asset Value per Share (at the end of the Financial Year)			
- Class I EURO-HEDGED		36,01	87,77
- Class I USD		50,62	91,31
- Class GP EURO-HEDGED		36,00	84,91
- Class GP USD		50,50	86,92
- Class P EURO-HEDGED		73,89	91,95
- Class P USD		76,77	94,40
- Class Q USD		104,54	-
- Class DC USD		88,34	-

The accompanying notes form an integral part of these Financial Statements.

# JKC FUND

## Statement of Operations and Changes in Net Assets from January 1<sup>st</sup>, 2016 to December 31<sup>st</sup>, 2016

	Notes	LA FRANÇAISE JKC China Equity (in USD)	LA FRANÇAISE JKC Asia Equity (in USD)
<b><u>Income</u></b>			
Dividends, net of taxes	1h	1.457.807,55	440.433,94
Interest on Bonds, net of taxes		0,00	21.680,75
Interest on Cash Accounts		2.136,21	2.312,06
<b>Total Income</b>		<b>1.459.943,76</b>	<b>464.426,75</b>
<b><u>Expenses</u></b>			
Management Fees	5	64.659,14	35.550,64
Investment Management Fees	5	962.171,60	547.562,11
Hedging Fees	5	15.259,65	13.048,51
Custodian Fees		19.980,97	10.589,54
Subscription Tax	6	9.004,82	9.273,79
Administration Fees		149.250,94	86.629,51
Miscellaneous Fees		184.806,31	134.696,72
Transaction Fees		407.936,01	225.722,44
Overdraft Interest		3.072,71	2.814,32
Taxes paid to Foreign Authorities		10.207,36	7.851,27
<b>Total Expenses</b>		<b>1.826.349,51</b>	<b>1.073.738,85</b>
<b><u>Net Profit / (Loss)</u></b>		<b>-366.405,75</b>	<b>-609.312,10</b>
<b><u>Net Realised Profit / (Loss)</u></b>			
- on investments	1c	-6.368.335,65	-68.476,89
- on currencies		-85.289,39	-94.473,12
- on forward exchange contracts		-677.256,95	-970.370,90
<b><u>Net Realised Profit / (Loss)</u></b>		<b>-7.497.287,74</b>	<b>-1.742.633,01</b>
<b><u>Change in Net Unrealised Appreciation / (Depreciation)</u></b>			
- on investments	1f	-507.001,92	-152.816,11
- on forward exchange contracts		-587.058,06	-319.205,05
<b>Result of Operations</b>		<b>-8.591.347,72</b>	<b>-2.214.654,17</b>
Subscriptions / Redemptions			
- Subscriptions		11.262.054,04	10.703.595,56
- Redemptions		-36.179.948,72	-8.105.840,29
<b>Net Changes in Net Assets for the Year</b>		<b>-33.509.242,40</b>	<b>383.101,10</b>
<b>Net Assets at the Beginning of the Year</b>		<b>84.851.874,03</b>	<b>33.620.341,12</b>
<b>Net Assets at the End of the Year</b>		<b>51.342.631,63</b>	<b>34.003.442,22</b>

The accompanying notes form an integral part of these Financial Statements.

# JKC FUND

## Schedule of Investments as at December 31<sup>st</sup>, 2016

LA FRANCAISE JKC China Equity					
DESCRIPTION	QUANTITY/NOMINAL	CCY	ACQUISITION COST (IN USD)	MARKET VALUE AS AT 31.12.2016 (IN USD)	% TOTAL NET ASSETS
<b>Transferable Securities admitted to an Official Stock Exchange or dealt in on Another Regulated Market</b>					
<b>Shares &amp; Related Securities</b>					
KWEICHOW MOUTAI CO LTD -A-	22.429	CNY	772.898,73	1.078.449,71	2,10
SHANGHAI INTERNATIONAL AIRPORT CO L	218.837	CNY	1.003.135,14	835.108,29	1,63
<b>Total YUAN</b>			<b>1.776.033,87</b>	<b>1.913.558,00</b>	<b>3,73</b>
3SBIO INC. UNITARY 144A -REG-	907.500	HKD	903.827,95	883.719,83	1,72
AAC TECHNOLOGIES HOLDINGS INC.	207.000	HKD	1.535.789,81	1.880.928,81	3,67
AIA GROUP LTD	212.200	HKD	1.232.560,54	1.197.414,33	2,33
ANGANG STEEL CO -H-	524.000	HKD	313.282,66	311.568,27	0,61
CHINA COMMUNICATIONS SERVICES -H-	2.234.000	HKD	1.365.012,12	1.423.413,67	2,77
CHINA CONSTRUCT BANK CORP.	2.988.000	HKD	2.019.317,62	2.300.784,48	4,48
CHINA EVERBRIGHT INTERNATIONAL	673.000	HKD	1.189.075,44	763.000,73	1,49
CHINA JINMAO HOLDINGS GROUP LTD	1.424.000	HKD	433.760,44	383.863,92	0,75
CHINA LIFE INSURANCE CO LTD	375.000	HKD	1.077.399,68	977.020,45	1,90
CHINA MOBILE LTD	187.000	HKD	2.178.922,00	1.982.596,97	3,87
CHINA OVERSEAS LAND & INVESTMENT	170.000	HKD	626.383,76	450.590,22	0,88
CHINA PETROLEUM & CHEMICAL CORP. -H-	1.696.000	HKD	1.189.791,12	1.203.121,68	2,34
CHINA RESOURCES GAS GROUP LTD	380.000	HKD	1.131.044,68	1.068.466,98	2,08
CHINA RESOURCES PHOENIX HEALTHCARE	855.000	HKD	1.289.185,72	1.093.953,35	2,13
CHINA SHENHUA ENERGY CO	425.000	HKD	841.853,68	800.318,40	1,57
CHONGQING CHANGAN AUTOMOBILE CO	413.500	HKD	688.072,42	591.463,67	1,15
CNOOC LTD	1.198.000	HKD	1.346.657,01	1.498.820,30	2,92
CSPC PHARMACEUTICAL GRP LTD	962.000	HKD	1.024.593,65	1.027.368,92	2,00
GOODBABY INTERNATIONAL HOLDINGS LTD	2.318.000	HKD	1.169.992,36	1.109.196,16	2,16
INDUST. & COMMERC. BK OF CHINA LTD	3.596.000	HKD	2.031.722,23	2.156.719,43	4,20
JIANGXI COPPER CO LTD -H-	118.000	HKD	188.712,18	164.675,99	0,32
MINITH GROUP LTD	246.000	HKD	801.723,74	766.254,89	1,49
NEXTEER AUTOMOTIVE GROUP LTD	892.000	HKD	759.765,53	1.058.458,16	2,06
NWS HOLDINGS LTD	538.000	HKD	841.011,39	877.102,53	1,71
PING AN INSURANCE -H-	273.000	HKD	1.492.012,79	1.366.203,48	2,66
Q TECHNOLOGY GROUP CO LTD	1.576.000	HKD	726.771,36	813.087,38	1,58
SHANGHAI FOSUN PHARMACEUTICAL	239.000	HKD	625.590,54	732.120,44	1,43
SHENZHOU INTERNATIONAL GROUP LTD	216.000	HKD	613.386,28	1.366.513,03	2,66
SHOUGANG FUSHAN RESOURCES GROUP	850.000	HKD	190.231,86	166.641,64	0,32
TENCENT HOLDINGS LTD	207.200	HKD	3.560.116,37	5.069.651,40	9,87
TEXHONG TEXTILE GROUP LTD	357.500	HKD	518.653,48	484.157,16	0,94
TONGDA GROUP HOLDINGS LTD	4.020.000	HKD	867.941,32	1.036.995,96	2,02
TRAVELSKY TECHNOLOGY LTD	430.000	HKD	1.008.441,39	904.017,99	1,76

The accompanying notes form an integral part of these Financial Statements.



# JKC FUND

## Schedule of Investments as at December 31<sup>st</sup>, 2016

### LA FRANCAISE JKC China Equity

DESCRIPTION	QUANTITY/NOMINAL	CCY	ACQUISITION COST (IN USD)	MARKET VALUE AS AT 31.12.2016 (IN USD)	% TOTAL NET ASSETS
XINGDA INTERNATIONAL HOLDINGS LTD	2.237.000	HKD	1.017.535,73	1.012.731,03	1,97
XINYI GLASS HOLDINGS CO	1.560.000	HKD	946.412,53	1.275.659,80	2,48
YUEXIU REAL ESTATE INVESTMENT TRUST	1.488.000	HKD	815.794,71	784.959,51	1,53
<b>Total HONG KONG DOLLAR</b>			<b>38.562.346,09</b>	<b>40.983.560,96</b>	<b>79,82</b>
ALIBABA GROUP HOLDING LTD ADR	42.800	USD	3.658.200,76	3.758.268,00	7,32
NEW ORIENTAL EDUCATION TECHNOLOGY	57.000	USD	2.314.634,75	2.399.700,00	4,67
<b>Total US DOLLAR</b>			<b>5.972.835,51</b>	<b>6.157.968,00</b>	<b>11,99</b>
<b>Total Portfolio</b>			<b>46.311.215,47</b>	<b>49.055.086,96</b>	<b>95,54</b>

The accompanying notes form an integral part of these Financial Statements.

# JKC FUND

## Schedule of Investments as at December 31<sup>st</sup>, 2016

LA FRANCAISE JKC ASIA EQUITY					
DESCRIPTION	QUANTITY/NOMINAL	CCY	ACQUISITION COST (IN USD)	MARKET VALUE AS AT 31.12.2016 (IN USD)	% TOTAL NET ASSETS
<b>Transferable Securities admitted to an Official Stock Exchange or dealt in on Another Regulated Market</b>					
<b>Shares &amp; Related Securities</b>					
KWEICHOW MOUTAI CO LTD -A-	12.609	CNY	499.886,84	606.276,36	1,79
SHANGHAI INTERNATIONAL AIRPORT CO	229.210	CNY	967.816,03	874.692,90	2,57
<b>Total YUAN</b>			<b>1.467.702,87</b>	<b>1.480.969,26</b>	<b>4,36</b>
AAC TECHNOLOGIES HOLDINGS INC.	78.000	HKD	539.476,76	708.755,78	2,08
AIA GROUP LTD	214.400	HKD	1.254.052,00	1.209.828,62	3,56
CHINA JINMAO HOLDINGS GROUP LTD	1.198.000	HKD	344.786,97	322.941,69	0,95
CHINA MOBILE LTD	61.000	HKD	664.419,98	646.729,49	1,90
CHINA OVERSEAS LAND & INVESTMENT	68.000	HKD	236.510,36	180.236,09	0,53
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS	210.000	HKD	301.198,69	314.194,30	0,92
CNOOC LTD	447.000	HKD	529.257,65	559.242,63	1,64
FORTUNE REAL ESTATE INVESTMENT TRUS	464.000	HKD	573.453,88	533.232,61	1,57
GOODBABY INTERNATIONAL HOLDINGS LTD	709.000	HKD	358.203,15	339.266,64	1,00
HKT LTD STAPLED SECURITY	570.000	HKD	822.073,56	699.159,70	2,06
NEXTEER AUTOMOTIVE GROUP LTD	963.000	HKD	997.369,36	1.142.707,64	3,36
PING AN INSURANCE -H-	128.500	HKD	680.449,85	643.066,47	1,89
SHANGHAI FOSUN PHARMACEUTICAL	287.500	HKD	807.277,86	880.688,81	2,59
SHENZHOU INTERNATIONAL GROUP LTD	96.000	HKD	305.255,47	607.339,13	1,79
TENCENT HOLDINGS LTD	96.700	HKD	1.598.246,63	2.366.000,43	6,95
<b>Total HONG KONG DOLLAR</b>			<b>10.012.032,17</b>	<b>11.153.390,03</b>	<b>32,79</b>
BANK CENTRAL ASIA TBK	562.500	IDR	624.367,65	647.151,83	1,91
PT MEDIA NUSANTARA CITRA TBK	3.827.200	IDR	595.497,26	498.551,74	1,47
PT TELEKOMUNIKASI INDONESIA-B-	2.466.400	IDR	662.252,32	728.615,73	2,14
PT WIJAYA KARYA (PERSERO) TBK	2.956.226	IDR	562.922,03	517.847,16	1,52
<b>Total INDONESIAN RUPIAH</b>			<b>2.445.039,26</b>	<b>2.392.166,46</b>	<b>7,04</b>
AMOREPACIFIC	2.706	KRW	939.114,48	720.300,51	2,12
AMOREPACIFIC CORP.	1.031	KRW	200.842,21	175.418,52	0,52
HUGEL INC.	1.285	KRW	380.763,51	341.624,01	1,00
KOH YOUNG TECHNOLOGY INC.	12.642	KRW	446.721,09	473.106,78	1,39
LG CHEM LTD	5.292	KRW	1.224.924,57	1.143.576,69	3,36
NAVER CORP.	1.349	KRW	882.266,90	865.602,70	2,55
SAMSUNG ELECTRONICS CO LTD	692	KRW	835.878,01	1.032.442,40	3,04
SAMSUNG ELECTRONICS CO LTD -PREF-	568	KRW	484.625,66	673.906,24	1,97
SFA ENGINEERING CORP.	4.755	KRW	212.654,45	253.930,69	0,75
SK HYNIX INC.	21.092	KRW	787.067,81	780.603,04	2,30
VIATRON TECHNOLOGIES INC.	49.718	KRW	1.124.040,93	1.043.509,88	3,07
<b>Total SOUTH KOREAN WON</b>			<b>7.518.899,62</b>	<b>7.504.021,46</b>	<b>22,07</b>

The accompanying notes form an integral part of these Financial Statements.

# JKC FUND

## Schedule of Investments as at December 31<sup>st</sup>, 2016

LA FRANCAISE JKC ASIA EQUITY					
DESCRIPTION	QUANTITY/NOMINAL	CCY	ACQUISITION COST (IN USD)	MARKET VALUE AS AT 31.12.2016 (IN USD)	% TOTAL NET ASSETS
UNISEM M BERHAD	707.200	MYR	432.031,20	372.041,32	1,09
<b>Total MALAYSIAN RINGGIT</b>			<b>432.031,20</b>	<b>372.041,32</b>	<b>1,09</b>
AYALA CORP.	24.900	PHP	387.286,97	365.892,95	1,08
D&L INDUSTRIES INC.	2.143.700	PHP	438.424,70	491.590,33	1,45
ROBINSONS RETAIL HOLDINGS INC.	238.360	PHP	394.456,29	356.011,73	1,04
<b>Total PHILIPPINE PESO</b>			<b>1.220.167,96</b>	<b>1.213.495,01</b>	<b>3,57</b>
SIAM CEMENT PUBLIC CO -NVDR-	45.600	THB	648.879,49	631.590,87	1,86
<b>Total THAI BAHT</b>			<b>648.879,49</b>	<b>631.590,87</b>	<b>1,86</b>
CHROMA ATE INC.	354.000	TWD	851.600,77	828.185,50	2,44
TAIWAN SEMICONDUCTOR MANUFACTURING	237.000	TWD	1.013.048,99	1.334.682,57	3,93
WIN SEMICONDUCTORS CORP.	144.536	TWD	390.729,27	407.655,14	1,20
<b>Total TAIWAN DOLLAR</b>			<b>2.255.379,03</b>	<b>2.570.523,21</b>	<b>7,57</b>
NEW ORIENTAL EDUCATION TECHNOLOGY	18.800	USD	774.971,33	791.480,00	2,32
<b>Total US DOLLAR</b>			<b>774.971,33</b>	<b>791.480,00</b>	<b>2,32</b>
<b>Total Transferable Securities admitted to an Official Stock Exchange or dealt in on Another Regulated Market</b>			<b>26.775.102,93</b>	<b>28.109.677,62</b>	<b>82,67</b>
<b>Other Transferable Securities</b>					
INDUSIND-CLSA LEPO WARRANTS 14-141019	36.871	USD	524.129,26	601.366,01	1,77
MARUTI SUZUKI INDIA-UBS 16-310117	8.208	USD	631.830,50	643.063,97	1,89
POWER GRID CORP.-UBS LD 16-310117	325.325	USD	857.394,04	880.980,10	2,59
SUN PHARMA-CLSA LEPO WARRANTS 14-021219	45.492	USD	519.568,24	422.165,76	1,24
ZEE ENTERTAINMENT-UBS LD 16-310117	103.682	USD	672.014,88	690.833,17	2,03
<b>Total Other Transferable Securities</b>			<b>3.204.936,92</b>	<b>3.238.409,01</b>	<b>9,52</b>
<b>Total Portfolio</b>			<b>29.980.039,85</b>	<b>31.348.086,63</b>	<b>92,19</b>

The accompanying notes form an integral part of these Financial Statements.

# JKC FUND

## Geographic Allocation as at December 31<sup>st</sup>, 2016

LA FRANCAISE JKC China Equity	% TOTAL NETS ASSETS
CAYMAN ISLANDS	46,76
CHINA	28,91
HONG KONG	16,08
BERMUDA	3,79
<b>Total Portfolio</b>	<b>95,54</b>

LA FRANCAISE JKC Asia Equity	% TOTAL NETS ASSETS
SOUTH KOREA	22,07
CAYMAN ISLANDS	20,49
CHINA	8,84
HONG KONG	8,58
TAIWAN	7,56
INDONESIA	7,04
UNITED KINGDOM	6,51
SINGAPORE	4,58
PHILIPPINES	3,57
THAILAND	1,86
MALAYSIA	1,09
<b>Total Portfolio</b>	<b>92,19</b>

These allocations of assets were established on basis of data (gross) used by the Central Administration and do not reflect inevitably the geographic analysis which directed the assets selection.

# JKC FUND

## Economic Allocation as at December 31<sup>st</sup>, 2016

LA FRANCAISE JKC China Equity	% TOTAL NETS ASSETS
IT & INTERNET	9,88
BANKS	8,68
ELECTRIC & ELECTRONIC COMPONENTS	7,73
INFORMATION, TECHNOLOGY & COPIERS	7,32
INSURANCE COMPANIES	6,90
TELECOMMUNICATIONS	6,63
PHARMACOLOGY & PERSONAL CARE	5,15
ROAD VEHICLES	4,71
MISCELLANEOUS	4,67
ELECTRIC & ELECTRONIC MATERIALS	3,78
TEXTILE & GARMENTS	3,60
REAL ESTATE	3,15
OIL & DERIVED	2,92
ENERGY SOURCES	2,34
INTERMEDIATE INDUSTRY PRODUCTS	3,66
MISCELLANEOUS CONSUMER GOODS	2,16
HEALTH CARE & SERVICES	2,13
TOBACCO & SPIRITS	2,10
MECHANICAL CONSTRUCTION	2,08
TYRES & RUBBER	1,97
ROAD & RAILWAY TRANSPORTS	1,71
AIRLIFT	1,63
PRECIOUS METALS & STONES	0,32
NONFERROUS METALS	0,32
<b>Total Portfolio</b>	<b>95,54</b>

These allocations of assets were established on basis of data (gross) used by the Central Administration and do not reflect inevitably the economic analysis which directed the assets selection.

# JKC FUND

## Economic Allocation as at December 31<sup>st</sup>, 2016

LA FRANCAISE JKC Asia Equity	% TOTAL NETS ASSETS
ELECTRIC & ELECTRONIC COMPONENTS	15,60
IT & INTERNET	9,50
BANKS	8,42
TELECOMMUNICATIONS	7,57
PHARMACOLOGY & PERSONAL CARE	6,23
INSURANCE COMPANIES	5,45
MECHANICAL CONSTRUCTION	5,21
CHEMICAL PRODUCTS	4,81
REAL ESTATE	4,57
FINANCIAL SERVICES - HOLDINGS	4,09
ROAD VEHICLES	3,36
BUILDING MATERIALS	2,78
AIRLIFT	2,57
ELECTRIC & ELECTRONIC MATERIALS	2,44
MISCELLANEOUS	2,33
TEXTILE & GARMENTS	1,79
TOBACCO & SPIRITS	1,78
OIL & DERIVED	1,64
RETAIL TRADING, DEPARTMENT STORES	1,05
MISCELLANEOUS CONSUMER GOODS	1,00
<b>Total Portfolio</b>	<b>92,19</b>

These allocations of assets were established on basis of data (gross) used by the Central Administration and do not reflect inevitably the economic analysis which directed the assets selection.

# JKC FUND

## Allocation by Currency as at December 31<sup>st</sup>, 2016

LA FRANCAISE JKC China Equity	% TOTAL NETS ASSETS
HONG KONG DOLLAR	79,82
US DOLLAR	11,99
YUAN	3,73
<b>Total Portfolio</b>	<b>95,54</b>

LA FRANCAISE JKC Asia Equity	% TOTAL NETS ASSETS
HONG KONG DOLLAR	32,79
SOUTH KOREAN WON	22,07
US DOLLAR	11,84
TAIWAN DOLLAR	7,57
INDONESIAN RUPIAH	7,04
YUAN	4,36
PHILIPPINE PESO	3,57
THAI BAHT	1,86
MALAYSIAN RINGGIT	1,09
<b>Total Portfolio</b>	<b>92,19</b>

These allocations of assets were established on basis of data (gross) used by the Central Administration and do not reflect inevitably the currency analysis which directed the assets selection.

# JKC FUND

## Changes in the Number of Shares

		LA FRANÇAISE JKC China Equity (in USD)	LA FRANÇAISE JKC Asia Equity (in USD)
Number of shares at the beginning of the Financial Year	Class I EURO-HEDGED	<b>768.131,069</b>	<b>170.077,260</b>
	Class I USD	<b>380.698,207</b>	<b>18.290,866</b>
	Class GP EURO-HEDGED	<b>100.864,842</b>	<b>91.188,000</b>
	Class GP USD	<b>95.861,551</b>	<b>13.081,500</b>
	Class P EURO-HEDGED	<b>13.288,196</b>	<b>42.924,632</b>
	Class P USD	<b>13.715,777</b>	<b>3.335,412</b>
	Class Q USD	<b>23.764,318</b>	-
	Class DC USD	<b>176.000,000</b>	-
Number of shares subscribed	Class I EURO-HEDGED	151.560,000	45.020,000
	Class I USD	84.046,659	71.560,000
	Class GP EURO-HEDGED	0,000	0,000
	Class GP USD	0,000	0,000
	Class P EURO-HEDGED	2.248,083	39,772
	Class P USD	69,921	0,000
	Class Q USD	0,000	-
	Class DC USD	0,000	-
Number of shares redeemed	Class I EURO-HEDGED	395.094,383	69.678,000
	Class I USD	301.054,669	12.189,866
	Class GP EURO-HEDGED	39.828,691	750,000
	Class GP USD	62.643,542	0,000
	Class P EURO-HEDGED	6.161,245	1,094
	Class P USD	8.666,735	2.835,343
	Class Q USD	200,000	-
	Class DC USD	0,000	-
Number of shares at the end of the Financial Year	Class I EURO-HEDGED	<b>524.596,686</b>	<b>145.419,260</b>
	Class I USD	<b>163.690,197</b>	<b>77.661,000</b>
	Class GP EURO-HEDGED	<b>61.036,151</b>	<b>90.438,000</b>
	Class GP USD	<b>33.218,009</b>	<b>13.081,500</b>
	Class P EURO-HEDGED	<b>9.375,034</b>	<b>42.963,310</b>
	Class P USD	<b>5.118,963</b>	<b>500,069</b>
	Class Q USD	<b>23.564,318</b>	-
	Class DC USD	<b>176.000,000</b>	-



# JKC FUND

## Changes in Capital, Total Net Assets and Net Asset Value per Share

SUB-FUND	VALUATION DATE	SHARES CLASSES	SHARES OUTSTANDING	TOTAL NET ASSETS (IN USD)	NET ASSET VALUE PER SHARE
LA FRANÇAISE JKC CHINA EQUITY FUND	31.12.2014	Class I EURO-HEDGED	1.657.807,644	175.318.580,83	EUR 41,60
		Class I USD	536.853,477		USD 57,35
		Class GP EURO-HEDGED	182.260,216		EUR 41,48
		Class GP USD	112.255,406		USD 57,24
		Class P EURO-HEDGED	87.839,822		EUR 86,45
		Class P USD	32.272,360		USD 88,14
	31.12.2015	Class Q USD	118.971,259	USD 116,67	
		Class DC USD	196.000,000	USD 99,94	
		Class I EURO-HEDGED	768.131,069	84.851.874,03	EUR 39,48
		Class I USD	380.698,207		USD 54,39
		Class GP EURO-HEDGED	100.864,842		EUR 39,48
		Class GP USD	95.861,551		USD 54,28
	Class P EURO-HEDGED	13.288,196	EUR 81,61		
	Class P USD	13.715,777	USD 83,09		
	31.12.2016	Class Q USD	23.764,318	USD 111,48	
		Class DC USD	176.000,000	USD 94,91	
		Class I EURO-HEDGED	524.596,686	51.342.631,63	EUR 36,01
		Class I USD	163.690,197		USD 50,62
		Class GP EURO-HEDGED	61.036,151		EUR 36,00
		Class GP USD	33.218,009		USD 50,50
		Class P EURO-HEDGED	9.375,034		EUR 73,89
Class P USD		5.118,963	USD 76,77		
Class Q USD	23.564,318	USD 104,54			
Class DC USD	176.000,000	USD 88,34			
LA FRANÇAISE JKC ASIA EQUITY FUND	31.12.2014	Class I EURO-HEDGED	304.096,429	54.980.877,72	EUR 93,38
		Class I USD	32.940,866		USD 95,45
		Class GP EURO-HEDGED	91.937,900		EUR 90,30
		Class GP USD	13.081,500		USD 90,95
		Class P EURO-HEDGED	47.917,911		EUR 99,03
		Class P USD	4.991,676		USD 99,94
	31.12.2015	Class I EURO-HEDGED	170.077,260	33.620.341,12	EUR 92,21
		Class I USD	18.290,866		USD 93,95
		Class GP EURO-HEDGED	91.188,000		EUR 89,17
		Class GP USD	13.081,500		USD 89,48
		Class P EURO-HEDGED	42.924,632		EUR 97,25
		Class P USD	3.335,412		USD 97,86
	31.12.2016	Class I EURO-HEDGED	145.419,260	34.003.442,22	EUR 87,77
		Class I USD	77.661,000		USD 91,31
		Class GP EURO-HEDGED	90.438,000		EUR 84,91
		Class GP USD	13.081,500		USD 86,92
		Class P EURO-HEDGED	42.963,310		EUR 91,95
		Class P USD	500,069		USD 94,40

# JKC FUND

## Notes to the Financial Statements as at December 31<sup>st</sup>, 2016

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### Note 1 – Accounting Principles and Methods

The Financial Statements of JKC FUND (the “SICAV” or the “FUND”) have been prepared in accordance with accounting principles generally accepted in Luxembourg, including the following significant policies:

a) Valuation of investments

The value of each security or other asset which is quoted or dealt in on a stock exchange will be based on its last available price in Luxembourg on the stock exchange which is normally the principal market for such security.

The value of each security or other asset which is quoted or dealt in on any other regulated market that operates regularly, is recognized and is open to the public (a "Regulated Market") will be based on its last available price in Luxembourg.

In the event that any assets are not listed nor dealt in on any stock exchange or on any other Regulated Market, or if, with respect to assets listed or dealt in on any stock exchange or on any other Regulated Market as aforesaid, the price as determined pursuant to the two above subparagraphs is not representative of the fair market value of the relevant assets, the value of such assets will be based on the reasonably foreseeable sales price determined prudently and in good faith by the Board of Directors.

Units or shares of undertakings for collective investment will be valued at their last determined and available net asset value or, if such price, in the opinion of the Board of Directors, is not representative of the fair market value of such assets, then the price shall be determined by the Board of Directors on a fair and equitable basis.

The liquidating value of spot or forward contracts not traded on stock exchanges nor on other Regulated Markets shall mean their net liquidating value determined, pursuant to the policies established by the Board of Directors, on a basis consistently applied for each different variety of contracts. The liquidating value of spot or forward contracts traded on stock exchanges or on other Regulated Markets shall be based upon the last available settlement prices of these contracts on stock exchanges and Regulated Markets on which the particular spot or forward contracts are traded by the Fund; provided that if a spot or forward contracts could not be liquidated on the day with respect to which net assets are being determined, the basis for determining the liquidating value of such contract shall be such value as the Board of Directors may deem fair and reasonable.

All other securities and other assets will be valued at fair market value as determined in good faith pursuant to procedures established by the Board of Directors.

b) Valuation of forward exchange contracts

The unrealized gain or loss of outstanding forward foreign exchange contracts is valued on the basis of the forward exchange rates prevailing at the valuation date.

c) Net realised profit / (loss) on sale of investments and derivatives

The net realised profit / (loss) on sale of investments and derivatives is determined on the basis of the average cost of investments and derivatives sold. The net gain or loss on variation of exchange rates is recorded in the account "Net Realised Gain / (Loss) on currencies" during the sale transaction.

# JKC FUND

## Notes to the Financial Statements as at December 31<sup>st</sup>, 2016

### Note 1 – Accounting Principles and Methods (continued)

#### d) Conversion of foreign currencies

The Fund maintains its accounting records in USD. The value of all assets and liabilities expressed in currencies other than USD are converted into USD at the exchange rate prevailing at the closing date of the financial statements (note 2).

Income and expenses in currencies other than USD are converted into USD at the exchange rate prevailing on payment date.

#### e) Acquisition cost of investments

The cost of investments expressed in currencies other than USD is converted into USD at the exchange rate prevailing on purchase date.

#### f) Unrealised appreciation/(depreciation)

In accordance with current practices, unrealised appreciation/(depreciation) at the end of the Financial Year are accounted for in the financial statements.

#### g) Purchases and sales of investments

The details of purchases and sales of investments of the Year may be obtained at the registered office of the Fund.

#### h) Investment income

Dividends are booked on an ex-dividend basis. Dividends are stated net of irrecoverable withholding taxes, if any.

### Note 2 – Exchange Rates as at December 31<sup>st</sup>, 2016

1 USD = 6,949466 CNY	1 USD = 13.472,500355 IDR	1 USD = 49,712491 PHP
1 USD = 7,753164 HKD	1 USD = 1.207,800047 KRW	1 USD = 0,948091 EUR
1 USD = 32,229011 TWD	1 USD = 35,810523 THB	1 USD = 4,486039 MYR

### Note 3 – Taxes and Expenses Payable

Management Company Fees (note 5)	23.910,50	USD
Investment Management Fees (note 5)	110.422,76	USD
Hedging Fees	2.078,47	USD
Subscription Tax (note 6)	3.991,57	USD
Custody Fees	7.173,14	USD
Other fees	120.908,18	USD
Total	268.484,62	USD

### Note 4 - Subscription and redemption fees

After the initial subscription period, the subscription price corresponds to the Net Asset Value per Share for the relevant Class on the relevant Valuation Day, which may be increased by a sales charge of a maximum of 5% of the applicable relevant Net Asset Value per Share and which shall revert to the sales agents.

The redemption price shall be based on the Net Asset Value per Share for the relevant Class on the relevant Valuation Day. A redemption fee of a maximum of 1,5% of the applicable relevant Net Asset Value will be levied at the discretion of the Board of Directors and will revert to the Investment Manager, provided that the principle of equal treatment of shareholders be complied with. For Classes I EURO-HEDGED, I USD, P EURO-HEDGED, P USD, Q USD and DC USD, no redemption fee will be levied.

# JKC FUND

## Notes to the Financial Statements as at December 31<sup>st</sup>, 2016

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### **Note 5 - Management Company fees, investment management fees, performance fees and hedging management fees**

A management fee is payable to the Management Company by each sub-fund in remuneration for its services. Such fee is payable quarterly in arrears and calculated on the average of the net assets of the sub-fund for the relevant quarter as follows:

- 0,10% per annum with a minimum of EUR 30.000,00 per annum.

An investment management fee is payable to the Investment Manager by the Management Company at the charge of each sub-fund, in remuneration for its services. Such fee is set at the annual rate of 1,50% per annum, payable monthly in arrears and calculated on the average of the net assets of the sub-fund attributable to the Classes I EURO-HEDGED, I USD, GP EURO-HEDGED, GP USD and DC USD for the relevant month and a rate of 0,75% for class Q USD. Such fee is however set at the annual rate of 2,20% per annum, payable monthly in arrears and calculated on the average of the net assets of the sub-fund attributable to the Classes P EURO-HEDGED and P USD for the relevant month.

In addition, for each Class of the sub-fund, the Investment Manager is entitled to receive, within ten Business Days of the last Business Day of each calendar year, a performance fee equal to :

- 15% of the performance of the Net Asset Value per Share for Classes I EURO-HEDGED, I USD, GP EURO-HEDGED, GP USD, P EURO-HEDGED and P USD;
- 7,5% of the performance of the Net Asset Value per Share for Class Q USD (for China Equity sub-fund).

There is a performance of the Net Asset Value per Share of the Class if there is an increase in the Net Asset Value per Share of the Class compared to the highest Net Asset Value per Share ever previously achieved for this Class ("Reference Net Asset Value" -i.e. the last Net Asset Value on which a performance fee has been booked or the initial Subscription Price for new share classes).

Under the high water mark principle, if there is an under-performance for a given period, this under-performance will be taken into consideration, which means that the Reference Net Asset Value of the Class will be maintained, until a performance of the Net Asset Value per Share of the Class is recorded.

In addition, for the Class DC USD of the China Equity sub-fund, the Investment Manager is entitled to receive, within ten Business Days of the last Business Day of each calendar year, a performance fee equal to:

- 15% of the Relative Performance over the High Water Mark (hereafter:"HWM") during the reference period.

The Relative performance is spread between the performance of the share class since inception and the performance of the MSCI China Free Net Total Return index (MSCNXNUS Index) during the same period.

Under the high watermark principle, if there is an under-performance for a given period, this under-performance will be taken into consideration, which means that the Reference Net Asset Value of the Class will be maintained, until a higher relative performance of the Net Asset Value per share of the Class is recorded.

# JKC FUND

## Notes to the Financial Statements as at December 31<sup>st</sup>, 2016

### Note 5 - Management Company fees, investment management fees, performance fees and hedging management fees (continued)

The amount of the performance fee will be accrued on each Valuation Day, based on the outstanding Shares of the Class on that day.

No Performance fee charged during the Year ended December 31<sup>st</sup>, 2016.

Each sub-fund will pay a hedging fee to the Hedging Manager at the charge of Classes I EURO-HEDGED, GP EURO-HEDGED and P EURO-HEDGED at the rate of 0,05% per annum, payable monthly in arrears and calculated on the average of the net assets of the sub-fund attributable to these Classes for the relevant month.

### Note 6 - Subscription tax

The Fund is subject to Luxembourg tax laws.

Under current law and practice, the Fund is not liable to any Luxembourg income tax. The Fund is, however, liable in Luxembourg to a tax of 0,05% per annum, such tax being payable quarterly and calculated on the basis of the net assets of the sub-fund at the end of the relevant quarter. However, this tax is reduced to 0,01% per annum for the net assets attributable to the Classes dedicated to institutional investors (Classes I EURO-HEDGED, I USD, Q USD and DC USD).

As the SICAV is registered in Belgium, it is subject to a further tax at the annual rate of 0,0925% calculated for 2016 on the basis of the value of the shares distributed in Belgium as recorded at December 31<sup>st</sup>, 2015.

### Note 7 - Forward Exchange Contracts

All forward foreign exchange contracts hereunder were dealt with Banque Degroof Petercam Luxembourg S.A. (\*) :

sub-fund LA FRANÇAISE JKC China Equity :

Maturity	Currency Bought	Nominal Bought	Currency Sold	Nominal Sold	Unrealised Gain / (Loss) (in USD)	Commitment (in USD)
02/01/2017	EUR	17.763,00	USD	18.486,84	249,76	18.486,84
31/01/2017	EUR	18.605.407,00	USD	19.393.904,15	253.675,04	19.393.904,15
31/01/2017	EUR	2.155.794,00	USD	2.247.156,55	29.393,13	2.247.156,55
31/01/2017	EUR	679.619,00	USD	708.421,25	9.266,25	708.421,25
				<b>TOTAL</b>	<b>292.584,18</b>	<b>22.367.968,79</b>

sub-fund LA FRANÇAISE JKC Asia Equity :

Maturity	Currency Bought	Nominal Bought	Currency Sold	Nominal Sold	Unrealised Gain / (Loss) (in USD)	Commitment (in USD)
31/01/2017	EUR	7.546.388,00	USD	7.866.203,92	102.891,07	7.866.203,92
31/01/2017	EUR	12.562.687,00	USD	13.095.093,68	171.285,69	13.095.093,68
31/01/2017	EUR	3.882.409,00	USD	4.046.945,49	52.934,63	4.046.945,49
				<b>TOTAL</b>	<b>327.111,39</b>	<b>25.008.243,09</b>

(\*) Cf Note 8

# JKC FUND

## Notes to the Financial Statements as at December 31<sup>st</sup>, 2016

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### **Note 8 - Event during the Year**

On April 1<sup>st</sup>, 2016, Banque Degroof Luxembourg S.A. changed its name to Banque Degroof Petercam Luxembourg S.A..

On April 1<sup>st</sup>, 2016, Degroof Gestion Institutionnelle – Luxembourg changed its name to Degroof Petercam Asset Services S.A..

# JKC FUND

## Other Information - Unaudited

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### Overall risk determination

Each sub-fund shall ensure that its global exposure relating to financial derivative instruments does not exceed the total net value of its portfolio. Global exposure is a measure designed to limit the leverage generated by each sub-fund through the use of financial derivative instruments. In order to calculate global exposure, each sub-fund will use the commitment approach, thereby aggregating the market value of the equivalent position of underlying assets.

The investments within each sub-fund are subject to market fluctuations and to the risks inherent in all investments; accordingly, no assurance can be given that the investment objective of each sub-fund will be achieved.

### Remuneration

The Management Company, La Française AM International, applies a remuneration policy, the purpose of which is to set the remuneration mechanisms for promoting sound and effective risk management and which do not encourage risk-taking that exceeds the level of tolerated risk, while promoting the long-term objectives and discouraging conflicts of interest.

Its Board of Directors ultimately assumes all the roles and responsibilities relating to the remuneration policy, adopting and periodically reviewing its general principles.

The Board of Directors is also responsible for its implementation. The remuneration policy is an integral part of governance and is approved by the Management Committee and then the Board of Directors.

The heads of control functions and the head of human resources contribute to preparing and revising the remuneration policy independently.

Performance is assessed every year at the Management Company level. Individual staff evaluations are based on a set of financial and non-financial objectives in accordance with the role and responsibility of each employee. The evaluation focuses on the technical and behavioural skills which the employee must have a command of as part of his/her function. Remuneration is determined by taking into account the complexity of the post, the level of responsibility and the performance.

Special principles are applied for staff identified as "material risk takers": deferred payment, malus and clawback arrangements.

The amount of the Management Company's remuneration for this fund is available, free-of-charge, from the registered office of the Management Company on request by the shareholders of the fund.

According to the "European Securities and Markets Authority (ESMA) Guidelines", the UCITS V requirements in terms of remuneration will be effective from January 1<sup>st</sup>, 2017, at the end of the first accounting year following their implementation.

The amounts of remuneration are therefore not mentioned in this report.