

**Annual report including audited financial statements
as at 31st December 2016**

KATLA FUND

An investment company with variable share capital incorporated
under the laws of the Grand Duchy of Luxembourg

R.C.S. Luxembourg B 96 002

Subscriptions may be made only on the basis of the prospectus including the articles of incorporation and the fact sheets of each of the Sub-Funds and the key investor information document (KIID). The prospectus may only be distributed if accompanied by the most recent annual report and the most recent half-year report, if the half-year report is more recent than the annual report.

KATLA FUND

Contents

Organisation 2

General information 4

Report on activities of the Board of Directors..... 6

Independent auditor's report..... 8

Combined statement of net assets 10

Combined statement of operations and other changes in net assets 11

KATLA FUND - GLOBAL VALUE..... 12

 Statement of net assets 12

 Statement of operations and other changes in net assets 13

 Statistical information..... 14

 Statement of investments and other net assets 15

 Industrial and geographical classification of investments..... 17

KATLA FUND - SCANDINAVIAN EQUITIES..... 19

 Statement of net assets 19

 Statement of operations and other changes in net assets 20

 Statistical information..... 21

 Statement of investments and other net assets 22

 Industrial and geographical classification of investments..... 24

Notes to the financial statements 25

Additional information (unaudited) 29

KATLA FUND

Organisation

Registered office	14, Boulevard Royal L-2449 LUXEMBOURG
Board of Directors	
Chairman	Margret SVEINSDOTTIR Head of Asset Management ARION BANK HF. Borgartun 19 IS-105 REYKJAVIK
Directors	Eric CHINCHON ME BUSINESS SOLUTIONS S.à r.l. 16, Rue Jean-Pierre Brasseur L-1258 LUXEMBOURG Andri V. SIGURDSSON ME BUSINESS SOLUTIONS S.à r.l. 16, Rue Jean-Pierre Brasseur L-1258 LUXEMBOURG
Management Company	BLI - BANQUE DE LUXEMBOURG INVESTMENTS S.A. 7, Boulevard Prince Henri L-1724 LUXEMBOURG
Board of Directors of the Management Company	
Chairman	Pierre AHLBORN Administrateur-Délégué BANQUE DE LUXEMBOURG Société Anonyme 14, Boulevard Royal L-2449 LUXEMBOURG
Vice-Chairman	Mario KELLER Administrateur de sociétés 14, Boulevard Royal L-2449 LUXEMBOURG
Directors	Antoine CALVISI Administrateur de sociétés 14, Boulevard Royal L-2449 LUXEMBOURG Pit RECKINGER Avocat ELVINGER HOSS & PRUSSEN 2, Place Winston Churchill L-1340 LUXEMBOURG

KATLA FUND

Organisation (continued)

	Fernand REINERS Membre du Comité de Direction BANQUE DE LUXEMBOURG Société Anonyme 14, Boulevard Royal L-2449 LUXEMBOURG
	Luc RODESCH Membre du Comité de Direction BANQUE DE LUXEMBOURG Société Anonyme 14, Boulevard Royal L-2449 LUXEMBOURG
	Guy WAGNER Administrateur-Directeur BLI - BANQUE DE LUXEMBOURG INVESTMENTS S.A. 7, Boulevard Prince Henri L-1724 LUXEMBOURG
Managing directors of the Management Company	Dieter HEIN Directeur BLI - BANQUE DE LUXEMBOURG INVESTMENTS S.A. 7, Boulevard Prince Henri L-1724 LUXEMBOURG
	Guy WAGNER Administrateur-Directeur BLI - BANQUE DE LUXEMBOURG INVESTMENTS S.A. 7, Boulevard Prince Henri L-1724 LUXEMBOURG
Investment Manager	STEFNIR ASSET MANAGEMENT COMPANY HF. Borgartun 19 IS-105 REYKJAVIK
Domiciliary Agent, Depositary and Primary Paying Agent and Central Administration	BANQUE DE LUXEMBOURG Société Anonyme 14, Boulevard Royal L-2449 LUXEMBOURG
Central Administration's Subcontractor	EUROPEAN FUND ADMINISTRATION Société Anonyme 2, Rue d'Alsace L-1122 LUXEMBOURG
Independent auditor	ERNST & YOUNG Société Anonyme 35E, Avenue John F. Kennedy L-1855 LUXEMBOURG

KATLA FUND

General information

KATLA FUND (the "SICAV") is an investment company with variable capital with multiple Sub-Funds incorporated under Luxembourg Law, subject to the provisions of Part I of the amended Law of 17th December 2010 relating to undertakings for collective investment (the "Law of 2010") and qualifies as an undertaking for collective investment under the Council Directive 2009/65/EC as amended.

The Directive 2014/91/EU of the European Parliament and of the Council of 23rd July 2014 amending the Directive 2009/65/EC had been transposed by the law of 10th May 2016 coming into force on 1st June 2016 and amending the amended law of 17th December 2010.

As from 1st June 2016, publications are made in the "*Recueil électronique des sociétés et associations*" ("RESA") through the website of "*Registre de Commerce et des Sociétés*" of Luxembourg.

The SICAV has been incorporated for an unlimited duration as of 16th September 1996 in a form of a mutual fund and transformed into an undertaking for collective investments on 8th September 2003. The articles of incorporation were last amended by the extraordinary general meeting of 11 June 2012. The last version of the coordinated articles of incorporation was published on 20th June 2012.

Since 1st October 2013, BLI - BANQUE DE LUXEMBOURG INVESTMENTS S.A. is acting as Management Company of KATLA FUND.

At the date of the financial statements, the following Sub-Funds are available for subscription:

- KATLA FUND - GLOBAL VALUE expressed in EUR
- KATLA FUND - SCANDINAVIAN EQUITIES expressed in EUR

The Board of Directors may issue, on account of the SICAV, different categories of shares, which correspond to different collections of assets and liabilities, whose net assets are denominated in the reference currency of the relevant Sub-Fund.

The following share classes are offered within each Sub-Fund:

- Class A Shares, capitalisation shares expressed in the reference currency of the Sub-Fund, reserved to retail investors¹;
- Class B Shares, capitalisation shares expressed in the reference currency of the Sub-Fund, reserved to institutional investors².

At the date of the financial statements, only Class A Share is in issue.

The Net Asset Value per share of each Class of shares is determined as of each full bank business day in Luxembourg ("Valuation Day") by dividing the net assets of the Sub-Fund properly allocable to such Class of shares less the liabilities of the Sub-Fund properly allocable to such Class of shares, by the number of shares of such Class outstanding and shall be rounded up or down to the nearest whole hundredth of the currency in which the Net Asset Value of the relevant shares is calculated.

The Net Asset Value, the issue price, the redemption price and the conversion price for the Classes of shares of the Sub-Funds are available at any time during business hours at the SICAV's registered office.

¹ i.e. any investors who does not qualify as an institutional investor as defined below.

² within the meaning of article 174(2) of the Law of 2010.

KATLA FUND

General information (continued)

At the end of each accounting year, the SICAV publishes an audited annual report on 31st December and at the end of each half-year, on 30th June, an unaudited semi-annual report. The combined financial statements of the SICAV are expressed in EUR.

Copies of the Articles of Incorporation, the prospectus, the KIID as well as the annual and semi-annual reports of the SICAV may be obtained free of charge at the registered office of the SICAV in Luxembourg.

The complaint settlement procedure foreseen by the CSSF Regulation N° 13-02 relating to the out-of-court resolution of complaints is available at the registered office of the SICAV.

KATLA FUND

Report on activities of the Board of Directors

Market Development and Outlook

Global equity markets had a bad start in 2016 and after ten trading days into the year, the S&P500 index was off to the worst start in its history. The sell off was largely due to low oil prices, rising concerns of the global economy and sovereign wealth funds trimming their equity positions. Investor pessimism faded out as oil prices recovered and good economic figures were reported. First quarter earnings also came in above expectations and markets recovered into the summer. Despite extreme volatility in the equity markets, yields of government bonds went steadily lower and by July the bond markets were abnormal with approximately third of all global government bonds trading with a yield below 0%.

2016 was a year marked by political surprises. In June the results of the BREXIT referendum (leave) took markets by surprise; equities sold off and the British Pound plummeted. Although equity markets recovered sharply the British Pound traded lower throughout the year. Leading up to the US presidential election most market analysts predicted that if Donald Trump would be elected, it would have a substantial negative effect on the US economy and equity markets. However, after his election the sentiment swiftly changed. Equity markets rallied, GDP estimates were raised for the US, and inflation expectations and long term rates rose sharply. In December the FED hiked the rates for the first time in 2016 but for the second time in this rate cycle. Third quarter earnings in the US marked the end of the earnings recession that started in the second quarter of 2015. The global economy continued its recovery in 2016 with decent GDP growth, lower unemployment and inflation picking up in the fourth quarter. Oil and commodities recovered from their low's in the first quarter of last year due to continued demand and no hard landing in China. Oil production decreased in the US (as it was no longer profitable with WTI trading below \$40/barrel) and OPEC cut its production in the fourth quarter.

Equity markets had a decent year in 2016 despite a poor start. The MSCI World ended the year up by 8.47% (EUR) with the US and emerging markets outperforming other markets while the European market was a drag, partly because of BREXIT. The global economy should continue its recovery in 2017 with moderate GDP growth, improving labour markets and rising inflation. As a result of an improving global economy and re-emerged earnings growth, we expect another positive year for equity markets. We continue to be attentive to the risks associated with rising political unrest in Europe, obscure fiscal policy in the US and the Chinese economy reform.

KATLA FUND - GLOBAL VALUE

The Sub-Fund KATLA FUND - GLOBAL VALUE returned 11.97% (EUR) in 2016, compared with 8.47% (EUR) return of the benchmark, the MSCI World Index. The Sub-Fund outperformed by 3.50%. The largest contribution to the funds outperformance was energy overweight in the first half of the year, financials overweight in the last quarter and stock selection.

KATLA FUND - SCANDINAVIAN EQUITIES

The Sub-Fund KATLA FUND - SCANDINAVIAN EQUITIES returned 0.68% (EUR) in 2016, compared with -3.92% (EUR) return of the benchmark, the MSCI Nordic Index. The Sub-Fund outperformed by 4.60%. The largest contributor to the funds outperformance was stock selection, underweight in health care and overweight in energy.

KATLA FUND

Report on activities of the Board of Directors (continued)

Board Activity

2016 saw UCITS V transposition into national law (effective date March 2016), FATCA and CRS new specific reportings, new deadline as well as we have seen MIFID 2 and PRIIPS postpone to 2018 instead of 2017 as effective date. In strong partnership with its management company, the Board strives to ensure that the Fund is at all time in line with best market practice, having at least quarterly board meetings, checking for conflicts of interest, overseeing the service providers of the Fund.

The Board also seeks ways to promote the Fund and attract new investors while providing the current ones the insurance that they invested in a Fund that does respect at all-time local laws, circulars and best market practice. The Board also ensures a strong supervision of the TER, always trying to find the best alternative to lower the costs while ensuring best delivery/quality to the investors.

In 2017 (mid of February), KATLA FUND - GLOBAL VALUE will absorb the last remaining Sub-Fund of KATLA MANAGER SELECTION (- GLOBAL EQUITY), increasing the size, lowering the TER and ensuring greater efficiency from the asset manager. The Board has undertaken this strategic decision in order to further enable the successful future of this Sub-Fund in the best interest of its investors and will particularly scrutinize this merger.

The Board would like to thank you for investing in our Fund. The Board is grateful for your continued confidence in the Fund.

Luxembourg, 17th February 2017

The Board of Directors

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

Independent auditor's report

To the Shareholders of
KATLA FUND
Luxembourg

We have audited the accompanying financial statements of KATLA FUND and of each of its Sub-Funds, which comprise the statement of net assets and the statement of investments and other net assets as at 31st December 2016 and the statement of operations and other changes in net assets for the year then ended, and a summary of significant accounting policies and other notes to the financial statements.

Responsibility 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 these 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 determines is necessary to enable the preparation and presentation 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 judgement 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.

Independent auditor's report (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Other matter

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

Ernst & Young
Société anonyme
Cabinet de révision agréé



Nadia FABER

Luxembourg, 19th April 2017

KATLA FUND

Combined statement of net assets (in EUR)

as at 31st December 2016

Assets

Securities portfolio at market value	95,787,159.36
Cash at banks	3,654,426.66
Formation expenses, net	1,835.20
Receivable on issues of shares	338,511.01
Income receivable on portfolio	8,791.48
Prepaid expenses	720.00
Total assets	<u>99,791,443.71</u>

Liabilities

Bank overdrafts	192,916.86
Expenses payable	430,757.87
Total liabilities	<u>623,674.73</u>
Net assets at the end of the year	<u><u>99,167,768.98</u></u>

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

KATLA FUND

Combined statement of operations and other changes in net assets (in EUR)

from 1st January 2016 to 31st December 2016

Income

Dividends, net	1,190,667.67
Interest on bank accounts	2,845.80
Other income	119,454.64
Total income	1,312,968.11

Expenses

Management fees	1,317,481.36
Depositary fees	74,234.75
Banking charges and other fees	10,429.10
Transaction fees	206,485.47
Central administration costs	106,170.23
Professional fees	22,200.19
Other administration costs	78,798.03
Subscription duty ("taxe d'abonnement")	43,297.05
Interest paid on bank overdrafts	1,856.21
Other expenses	13,120.51
Total expenses	1,874,072.90

Net investment loss	-561,104.79
---------------------	-------------

Net realised gain/(loss)

- on securities portfolio	6,581,979.96
- on forward foreign exchange contracts	-975.95
- on foreign exchange	60,976.91
Realised result	6,080,876.13

Net variation of the unrealised gain/(loss)

- on securities portfolio	3,518,756.61
---------------------------	--------------

Result of operations	9,599,632.74
----------------------	--------------

Subscriptions	9,510,414.84
---------------	--------------

Redemptions	-404,868.22
-------------	-------------

Total changes in net assets	18,705,179.36
-----------------------------	---------------

Total net assets at the beginning of the year	80,462,589.62
---	---------------

Total net assets at the end of the year	99,167,768.98
---	---------------

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

KATLA FUND - GLOBAL VALUE

Statement of net assets (in EUR)

as at 31st December 2016

Assets

Securities portfolio at market value	85,841,872.65
Cash at banks	3,345,203.75
Income receivable on portfolio	8,791.48
Prepaid expenses	640.00
Total assets	<u>89,196,507.88</u>

Liabilities

Bank overdrafts	387.00
Expenses payable	382,559.12
Total liabilities	<u>382,946.12</u>

Net assets at the end of the year 88,813,561.76

Number of Class A Shares outstanding	596,609.1404
Net asset value per Class A Share	148.86

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

KATLA FUND - GLOBAL VALUE

Statement of operations and other changes in net assets (in EUR)

from 1st January 2016 to 31st December 2016

Income

Dividends, net	936,242.57
Interest on bank accounts	2,706.58
Other income	79,098.71
Total income	1,018,047.86

Expenses

Management fees	1,155,905.10
Depositary fees	64,195.13
Banking charges and other fees	9,888.34
Transaction fees	201,781.13
Central administration costs	75,318.75
Professional fees	19,640.28
Other administration costs	53,229.76
Subscription duty ("taxe d'abonnement")	38,449.35
Interest paid on bank overdrafts	716.06
Other expenses	5,638.46
Total expenses	1,624,762.36

Net investment loss	-606,714.50
---------------------	-------------

Net realised gain/(loss)

- on securities portfolio	6,406,891.37
- on forward foreign exchange contracts	-649.76
- on foreign exchange	56,707.04
Realised result	5,856,234.15

Net variation of the unrealised gain/(loss)

- on securities portfolio	3,672,407.11
---------------------------	--------------

Result of operations	9,528,641.26
----------------------	--------------

Subscriptions	9,062,493.45
---------------	--------------

Redemptions	-404,868.22
-------------	-------------

Total changes in net assets	18,186,266.49
-----------------------------	---------------

Total net assets at the beginning of the year	70,627,295.27
---	---------------

Total net assets at the end of the year	88,813,561.76
---	---------------

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

KATLA FUND - GLOBAL VALUE

Statistical information (in EUR)

as at 31st December 2016

Total net assets

- as at 31.12.2016	88,813,561.76
- as at 31.12.2015	70,627,295.27
- as at 31.12.2014	61,682,313.99

Number of Class A Shares

- outstanding at the beginning of the year	531,194.1696
- issued	68,677.1447
- redeemed	-3,262.1739
- outstanding at the end of the year	596,609.1404

Net asset value per Class A Share

- as at 31.12.2016	148.86
- as at 31.12.2015	132.96
- as at 31.12.2014	119.29

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

KATLA FUND - GLOBAL VALUE

Statement of investments and other net assets (in EUR) as at 31st December 2016

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
Investments in securities					
Transferable securities admitted to an official stock exchange listing					
Shares					
CAD	111,000	Descartes Systems Gr (The) Inc	891,782.43	2,246,457.76	2.53
DKK	67,000	De Sammenslut Vognaend AS	2,593,721.78	2,831,057.31	3.19
EUR	52,000	Amadeus IT Group SA A	2,154,118.14	2,244,840.00	2.53
EUR	60,000	Axa SA	1,251,008.97	1,439,100.00	1.62
EUR	32,000	Fresenius Medical Care AG & Co KGaA	2,486,942.69	2,574,400.00	2.90
EUR	18,000	Michelin SA	1,510,132.62	1,902,600.00	2.14
EUR	48,000	SCOR SE	1,358,046.77	1,575,840.00	1.77
EUR	85,000	Vonovia SE	2,476,860.48	2,626,925.00	2.96
			11,237,109.67	12,363,705.00	13.92
GBP	140,000	St James's Place Plc	1,821,005.98	1,663,177.30	1.87
JPY	30,000	Nidec Corp	2,073,027.49	2,459,901.62	2.77
NOK	50,000	TGS Nopec Geophysical Co ASA	919,674.68	1,055,812.88	1.19
SEK	50,000	Lundin Petroleum AB	881,270.57	1,033,039.29	1.16
USD	55,000	A.O.Smith Corp	2,096,239.53	2,469,419.69	2.78
USD	13,100	Alliance Data Syst Corp	2,583,270.14	2,838,374.74	3.19
USD	2,850	Alphabet Inc C	1,938,565.65	2,085,802.20	2.35
USD	18,500	Apple Inc	1,959,541.36	2,031,737.15	2.29
USD	99,000	Bank of America Corp	1,715,662.00	2,074,625.45	2.34
USD	70,000	Cia Cervecerias Unidas SA ADR repr 2 Shares	1,115,685.65	1,392,565.90	1.57
USD	20,000	Cigna Corp	2,423,525.68	2,529,679.50	2.85
USD	34,000	Citigroup Inc	1,687,526.49	1,916,006.07	2.16
USD	26,000	Estée Lauder Companies Inc A	1,825,612.32	1,885,776.60	2.12
USD	7,000	Goldman Sachs Group Inc	1,281,203.72	1,589,370.38	1.79
USD	39,000	Halliburton Co (Hg Co)	1,403,643.88	2,000,293.95	2.25
USD	58,000	Hartford Fin Serv Gr Inc (The)	1,298,365.81	2,620,614.45	2.95
USD	55,000	Hawaiian Holdings Inc	2,130,872.74	2,972,691.07	3.35
USD	47,000	Hess Corp	2,234,685.77	2,776,057.27	3.12
USD	46,500	Intercontinental Exchang Inc	1,338,108.13	2,487,701.50	2.80
USD	3,900	Intuitive Surgical Inc	1,748,447.35	2,345,214.30	2.64
USD	55,000	Lazard Ltd A	1,651,232.95	2,142,945.19	2.41
USD	16,000	Lear Corp	1,128,729.49	2,008,268.54	2.26
USD	100,000	Micron Technology Inc	2,236,581.36	2,078,513.18	2.34
USD	70,000	Mylan N.V.	2,969,850.71	2,532,239.71	2.85
USD	86,000	New York Community Bancorp Inc	1,107,948.39	1,297,420.82	1.46
USD	30,000	Orbotech Ltd	576,565.67	950,407.74	1.07
USD	40,000	T-Mobile US Inc	1,123,019.32	2,181,300.97	2.46
USD	20,000	Toyota Motor Corp spons ADR repr 2 Sh	2,071,878.84	2,222,643.66	2.50
USD	67,000	Trimble Inc	1,791,044.09	1,915,465.58	2.16
USD	42,000	Vantiv Inc A	2,240,378.14	2,374,397.88	2.67
			45,678,185.18	55,719,533.49	62.73
Total shares			66,095,777.78	79,372,684.65	89.36

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

KATLA FUND - GLOBAL VALUE

Statement of investments and other net assets (in EUR) (continued)

as at 31st December 2016

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<u>Open-ended investment funds</u>					
Tracker funds (UCITS)					
EUR	180,000	db x-trackers Nikkei 225 UCITS ETF (DR) 1D Dist	2,624,050.00	2,849,940.00	3.21
EUR	48,000	db x-trackers S&P500 UCITS ETF 1C Cap	1,473,200.00	1,791,888.00	2.02
EUR	9,000	Lyxor UCITS ETF MSCI USA D EUR	1,608,615.00	1,827,360.00	2.06
Total tracker funds (UCITS)			<u>5,705,865.00</u>	<u>6,469,188.00</u>	<u>7.29</u>
Total investments in securities			<u>71,801,642.78</u>	<u>85,841,872.65</u>	<u>96.65</u>
Cash at banks				3,345,203.75	3.77
Bank overdrafts				-387.00	0.00
Other net assets/(liabilities)				-373,127.64	-0.42
Total				<u>88,813,561.76</u>	<u>100.00</u>

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

KATLA FUND - GLOBAL VALUE

Industrial and geographical classification of investments

as at 31st December 2016

Industrial classification

(in percentage of net assets)

Insurance	11.06 %
Banks	8.63 %
Technology hardware and equipment	8.29 %
Energy	7.72 %
Investment funds	7.29 %
Diversified financial services	7.00 %
Automobiles and components	6.90 %
Transportation	6.54 %
Pharmaceuticals and biotechnology	5.75 %
Commercial services and supplies	5.72 %
Software and services	4.88 %
Real estate	2.96 %
Capital goods	2.78 %
Health care equipment and services	2.64 %
Telecommunication services	2.46 %
Semiconductors and semiconductor equipment	2.34 %
Household and personal products	2.12 %
Food, beverage and tobacco	1.57 %
Total	<u>96.65 %</u>

KATLA FUND - GLOBAL VALUE

Industrial and geographical classification of investments (continued)

as at 31st December 2016

Geographical classification

(by domicile of the issuer)

(in percentage of net assets)

United States of America	52.33 %
France	7.59 %
Germany	5.86 %
Japan	5.27 %
Luxembourg	5.23 %
Denmark	3.19 %
The Netherlands	2.85 %
Canada	2.53 %
Spain	2.53 %
Bermuda	2.41 %
United Kingdom	1.87 %
Chile	1.57 %
Norway	1.19 %
Sweden	1.16 %
Israel	1.07 %
Total	<u>96.65 %</u>

KATLA FUND - SCANDINAVIAN EQUITIES

Statement of net assets (in EUR)

as at 31st December 2016

Assets

Securities portfolio at market value	9,945,286.71
Cash at banks	309,222.91
Formation expenses, net	1,835.20
Receivable on issues of shares	338,511.01
Prepaid expenses	80.00
Total assets	<u>10,594,935.83</u>

Liabilities

Bank overdrafts	192,529.86
Expenses payable	48,198.75
Total liabilities	<u>240,728.61</u>

Net assets at the end of the year 10,354,207.22

Number of Class A Shares outstanding	78,082.4949
Net asset value per Class A Share	132.61

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

KATLA FUND - SCANDINAVIAN EQUITIES

Statement of operations and other changes in net assets (in EUR)

from 1st January 2016 to 31st December 2016

Income

Dividends, net	254,425.10
Interest on bank accounts	139.22
Other income	40,355.93
Total income	294,920.25

Expenses

Management fees	161,576.26
Depositary fees	10,039.62
Banking charges and other fees	540.76
Transaction fees	4,704.34
Central administration costs	30,851.48
Professional fees	2,559.91
Other administration costs	25,568.27
Subscription duty ("taxe d'abonnement")	4,847.70
Interest paid on bank overdrafts	1,140.15
Other expenses	7,482.05
Total expenses	249,310.54

Net investment income	45,609.71
-----------------------	-----------

Net realised gain/(loss)

- on securities portfolio	175,088.59
- on forward foreign exchange contracts	-326.19
- on foreign exchange	4,269.87
Realised result	224,641.98

Net variation of the unrealised gain/(loss)

- on securities portfolio	-153,650.50
---------------------------	-------------

Result of operations	70,991.48
----------------------	-----------

Subscriptions	447,921.39
---------------	------------

Redemptions	-
-------------	---

Total changes in net assets	518,912.87
-----------------------------	------------

Total net assets at the beginning of the year	9,835,294.35
---	--------------

Total net assets at the end of the year	10,354,207.22
---	---------------

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

KATLA FUND - SCANDINAVIAN EQUITIES

Statistical information (in EUR)

as at 31st December 2016

Total net assets

- as at 31.12.2016	10,354,207.22
- as at 31.12.2015	9,835,294.35
- as at 31.12.2014	9,038,122.00

Number of Class A Shares

- outstanding at the beginning of the year	74,674.7281
- issued	3,407.7668
- redeemed	0.0000
- outstanding at the end of the year	78,082.4949

Net asset value per Class A Share

- as at 31.12.2016	132.61
- as at 31.12.2015	131.71
- as at 31.12.2014	119.89

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

KATLA FUND - SCANDINAVIAN EQUITIES

Statement of investments and other net assets (in EUR)

as at 31st December 2016

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>					
Shares					
DKK	200	AP Moeller Maersk AS B	317,549.49	303,124.88	2.93
DKK	2,960	Carlsberg AS B	221,020.48	242,623.63	2.34
DKK	8,100	Danske Bank A/S	133,402.08	233,330.85	2.25
DKK	8,640	De Sammenslut Vognmaend AS	207,501.17	365,079.63	3.53
DKK	18,260	Novo Nordisk AS B	543,272.81	625,456.91	6.04
DKK	6,490	Novozymes AS B	170,911.49	212,525.64	2.05
DKK	6,060	Vestas Wind Systems A/S	90,296.30	374,070.09	3.61
			<u>1,683,953.82</u>	<u>2,356,211.63</u>	<u>22.75</u>
EUR	9,570	Fortum Oyj	148,246.52	139,434.90	1.35
EUR	3,910	Kone Oyj B	115,784.25	166,448.70	1.61
EUR	53,980	Nokia Oyj	242,525.16	247,660.24	2.39
EUR	6,630	Nokian Tyres Plc	198,757.95	234,834.60	2.27
EUR	8,230	Sampo Plc A	262,724.72	350,515.70	3.38
			<u>968,038.60</u>	<u>1,138,894.14</u>	<u>11.00</u>
NOK	20,120	DNB ASA	227,412.50	284,569.16	2.75
NOK	28,550	Norsk Hydro ASA	106,051.12	129,882.61	1.25
NOK	29,190	Orkla ASA A	182,137.66	251,440.76	2.43
NOK	28,040	Statoil ASA	420,427.56	489,246.84	4.72
NOK	15,060	Telenor ASA	238,224.70	213,997.90	2.07
NOK	9,800	TGS Nopec Geophysical Co ASA	127,267.87	206,939.32	2.00
NOK	20,000	Tomra Systems ASA	166,936.41	199,376.25	1.93
NOK	2,210	Yara Intl ASA	76,046.89	82,768.68	0.80
			<u>1,544,504.71</u>	<u>1,858,221.52</u>	<u>17.95</u>
SEK	6,490	ABB Ltd Reg	95,024.41	129,824.20	1.25
SEK	18,840	Assa Abloy AB B	216,646.42	332,266.74	3.21
SEK	6,540	Atlas Copco AB A	136,340.21	189,279.29	1.83
SEK	8,000	Elekta AB Shares B	55,972.83	67,249.24	0.65
SEK	11,960	Hennes & Mauritz AB B	351,110.16	316,082.28	3.05
SEK	5,680	Hexagon AB B	123,753.60	192,824.27	1.86
SEK	1,780	Millicom Intl Cellular SA SDR	125,960.81	72,271.45	0.70
SEK	3,570	Modern Times Group AB B	107,909.45	100,529.69	0.97
SEK	46,710	Nordea Bank AB	414,332.99	493,493.77	4.77
SEK	14,100	Sandvik AB	156,117.33	165,731.62	1.60
SEK	24,310	Skandinaviska Enskilda Bk AB A	199,027.11	242,257.93	2.34
SEK	7,300	SKF AB B	136,387.25	127,602.51	1.23
SEK	9,810	Svenska Cellulosa SCA AB B	222,415.93	263,251.68	2.54
SEK	29,010	Svenska Handelsbanken AB A	316,220.58	383,039.70	3.70
SEK	14,840	Swedbank AB A	257,332.51	340,965.75	3.29
SEK	8,920	Tele2 AB B	84,295.05	67,959.07	0.66
SEK	36,690	Telefon AB LM Ericsson B	305,187.32	204,721.69	1.98
SEK	32,280	Telia Co AB	170,610.06	123,589.13	1.19
SEK	21,240	Volvo AB B	226,312.95	235,699.41	2.28
			<u>3,700,956.97</u>	<u>4,048,639.42</u>	<u>39.10</u>
Total shares			<u>7,897,454.10</u>	<u>9,401,966.71</u>	<u>90.80</u>

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

KATLA FUND - SCANDINAVIAN EQUITIES

Statement of investments and other net assets (in EUR) (continued)

as at 31st December 2016

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<u>Open-ended investment funds</u>					
Tracker funds (UCITS)					
EUR	17,000	Concept Fd Sol Plc db x-trackers MSCI Nor Idx 1D Dist UCITS	520,650.00	543,320.00	5.25
Total tracker funds (UCITS)			520,650.00	543,320.00	5.25
Total investments in securities			8,418,104.10	9,945,286.71	96.05
Cash at banks				309,222.91	2.99
Bank overdrafts				-192,529.86	-1.86
Other net assets/(liabilities)				292,227.46	2.82
Total				10,354,207.22	100.00

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

KATLA FUND - SCANDINAVIAN EQUITIES

Industrial and geographical classification of investments

as at 31st December 2016

Industrial classification

(in percentage of net assets)

Banks	19.10 %
Capital goods	14.92 %
Pharmaceuticals and biotechnology	8.09 %
Energy	6.72 %
Transportation	6.46 %
Raw materials	5.26 %
Investment funds	5.25 %
Food, beverage and tobacco	4.77 %
Telecommunication services	4.62 %
Automobiles and components	4.55 %
Technology hardware and equipment	4.37 %
Insurance	3.38 %
Consumer durables and apparel	3.05 %
Household and personal products	2.54 %
Utilities	1.35 %
Media	0.97 %
Health care equipment and services	0.65 %
Total	<u>96.05 %</u>

Geographical classification

(by domicile of the issuer)

(in percentage of net assets)

Sweden	37.15 %
Denmark	22.75 %
Norway	17.95 %
Finland	11.00 %
Ireland	5.25 %
Switzerland	1.25 %
Luxembourg	0.70 %
Total	<u>96.05 %</u>

KATLA FUND

Notes to the financial statements

as at 31st December 2016

Note 1 - Significant accounting policies

a) Presentation of the financial statements

The financial statements of the SICAV are prepared in accordance with the Luxembourg legal and regulatory requirements concerning undertakings for collective investment.

b) Valuation of assets

The assets' values are determined as follows:

The value of cash on hand or on deposit, bills and notes due on demand, accounts receivable, prepaid expenses, dividends, and interest declared or due but not yet received consists of the nominal value of these assets, unless it is unlikely that this value is received, in which event, the value is determined by deducting an amount which the SICAV deems adequate to reflect the real value of these assets.

The value of all transferable securities, money-market instruments and financial derivative instruments that are listed on a stock exchange or traded on another regulated market that operates regularly, and is recognised and open to the public, is determined based on the most recent available price.

In the case of SICAV investments that are listed on a stock exchange or traded on another regulated market that operates regularly, is recognised and open to the public and traded by market makers outside the stock exchange on which the investments are listed or of the market on which they are traded, the Board of Directors may determine the main market for the investments in question that will be then evaluated at the last available price on that market.

Money market instruments and fixed-interest securities, the residual maturity of which is less than one year, may be valued on the basis of amortised cost, a method that consists after purchase in taking into account a straight-line amortisation to arrive at the redemption price at the security's maturity.

The value of securities representative of an open-ended undertaking for collective investment is determined according to the last official net asset value per unit or according to the last estimated net asset value if it is more recent than the official net asset value, and provided that the SICAV is assured that the valuation method used for this estimate is consistent with that used for the calculation of the official net asset value.

c) Acquisition cost of securities in the portfolio

The acquisition cost of the securities held by each 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) Net realised gain (loss) on sales of securities

The realised gains and losses on sales of securities are determined on the basis of the average acquisition cost.

e) Investment income

Dividend income is recorded at the ex-date, net of any withholding tax.

KATLA FUND

Notes to the financial statements (continued)

as at 31st December 2016

f) Formation expenses

The formation expenses of the Sub-Fund KATLA FUND - SCANDINAVIAN EQUITIES were amortised on a straight line basis over a period of 5 years. The formation expenses of the Sub-Fund KATLA FUND - GLOBAL VALUE are fully amortised.

If the launch of a Sub-Fund occurs after the launch date of the SICAV, the costs of formation in relation to the launch of the new Sub-Fund shall be charged to such Sub-Fund alone and may be amortised over a maximum of 5 years with effect from the Sub-Fund's launch date.

g) 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 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 currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the transaction.

h) Combined financial statements

The combined financial statements of the SICAV are expressed in EUR and are equal to the sum of the corresponding items in the financial statements of each Sub-Fund.

i) Transaction fees

Transaction costs disclosed under the item "Transaction fees" in the expenses of the statement of operations and other changes in net assets are mainly composed of broker fees incurred by the SICAV of fees relating to liquidation of transactions paid to the depositary.

Note 2 - Management fees

The SICAV has appointed BLI - BANQUE DE LUXEMBOURG INVESTMENTS S.A. as Management Company.

The Management Company may delegate, under its responsibility and its control, the management of the assets of one or several Sub-Funds of the SICAV to one or several Investment Managers.

The Management Company has appointed STEFNIR ASSET MANAGEMENT COMPANY HF. as Investment Manager of the Sub-Funds. The Investment Manager STEFNIR ASSET MANAGEMENT COMPANY HF. is entitled to receive an annual commission at the rates indicated below:

- | | |
|--------------------------------------|-------|
| • KATLA FUND - GLOBAL VALUE | 1.50% |
| • KATLA FUND - SCANDINAVIAN EQUITIES | 1.50% |

The management fee is payable quarterly and is calculated on the basis of the average net assets of each Sub-Fund for the relevant quarter.

KATLA FUND

Notes to the financial statements (continued)

as at 31st December 2016

Note 3 - Director fees

At the date of the financial statements, the director fees have been recorded under the caption "Central administration costs" for the following sub-funds and amounted to :

KATLA FUND - GLOBAL VALUE	EUR 25,835.99
KATLA FUND - SCANDINAVIAN EQUITIES	EUR 3,414.01

Note 4 - Central administration costs

The item "Central administration costs" disclosed in the statement of operations and other changes in net assets is mainly composed of administrative agent and transfer agent fees.

Note 5 - Subscription, redemption and conversion fees

The subscription price of a Share in a particular Class of shares within a specific Sub-Fund is the relevant Net Asset Value per Share in the said Class on the corresponding Valuation Day plus a subscription fee which will amount to a maximum of 2% of the subscription amount in favour of entities and agents active in sales and investment shares.

The redemption price of a Share in a particular Class of shares within a specific Sub-Fund is the relevant Net Asset Value per Share in the said Class on the corresponding Valuation Day. No redemption fee is charged for the Sub-Funds.

The conversion price is based on the Net Asset Value of the Class of shares of the relevant Sub-Fund plus a conversion fee which will amount to a maximum of 0.5% of the converted amount in favour of the disinvested Sub-Fund.

Note 6 - Subscription duty ("*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 "*taxe d'abonnement*" of 0.05% which is payable quarterly and calculated on the basis of the net assets of each sub-fund on the last day of each quarter.

Pursuant to Article 175 (a) of the amended law of 17th December 2010 the net assets invested in undertakings for collective investment already subject to the "*taxe d'abonnement*" are exempt from this tax.

Note 7 - Statement of changes in investments

The statement of changes in investments for the period in reference to the report is available free of charge at the registered office of the SICAV.

KATLA FUND

Notes to the financial statements (continued)

as at 31st December 2016

Note 8 - Subsequent events

By circular resolution dated 20th December 2016, the Board of Directors of the SICAV decided to:

- appoint **CONVENTUM ASSET MANAGEMENT** as domiciliation agent of KATLA FUND in replacement of BANQUE DE LUXEMBOURG S.A. and to transfer the registered office of KATLA FUND to 9, Boulevard Prince Henri, L-1724 LUXEMBOURG, with effective date of 15th February 2017
- appoint **CONVENTUM ASSET MANAGEMENT** (9, Boulevard Prince Henri, L-1724 LUXEMBOURG) as Management Company of KATLA FUND, in replacement of BLI – BANQUE DE LUXEMBOURG INVESTMENTS S.A. (7, boulevard Prince Henri L-1724 LUXEMBOURG) with effective date of 15th February 2017
- merge the sub-fund KATLA MANAGER SELECTION – GLOBAL EQUITY by absorption into the sub-fund KATLA FUND – GLOBAL VALUE with effective date of 15th February 2017.

Additional information (unaudited)

as at 31st December 2016

Appendix 1 - Risk management

As required by Circular CSSF 11/512, the Board of Directors needs to determine the global risk exposure of the Company either by applying the commitment approach or the VaR approach.

In terms of risk management, the Board of Directors of the Company decided to adopt the commitment approach as a method of determining the global risk exposure for each Sub-Fund.

Appendix 2 - Remuneration

In accordance with the requirements of Directive 2014/91/EU on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depository functions, remuneration policies and sanctions ("UCITS V"), the Management Company, BLI-BANQUE DE LUXEMBOURG INVESTMENTS S.A., has approved and adopted a remuneration policy.

According to the European Securities and Markets Authority (ESMA) Guidelines, the UCITS V requirements in terms of remuneration will be effective as of 1st January 2018, at the end of the first accounting financial year following their entry into application.

As a result, no mention is made of the remuneration amounts in this report.

Appendix 3 - Information concerning the SFTR disclosures

At the date of the financial statements, KATLA FUND is currently not concerned by the requirements of the SFTR regulation 2015/2365 on transparency of securities financing transactions and of reuse. Furthermore, no corresponding transactions were carried out during the period referring to the financial statements.