

MEDIOLANUM FUND OF HEDGE FUNDS
ANNUAL REPORT
&
AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

MEDIOLANUM FUND OF HEDGE FUNDS

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MEDIOLANUM FUND OF HEDGE FUNDS

TRUST INFORMATION

MANAGER and AIFM

Mediolanum International Funds Limited
2 Shelbourne Buildings
Shelbourne Road
Ballsbridge
Dublin 4
Ireland

DEPOSITARY

Northern Trust Fiduciary Services (Ireland) Limited
Georges Court
54-62 Townsend Street
Dublin 2
Ireland

DIRECTORS of THE MANAGER

Andrew Bates (Chairperson)¹
Furio Pietribiasi (Managing Director)²
Corrado Bocca¹
Vittorio Gaudio⁴
Bronwyn Wright³
Paul O’Faherty³
Des Quigley³

ADMINISTRATOR, REGISTRAR and TRANSFER AGENT

Northern Trust International Fund Administration
Services (Ireland) Limited
Georges Court
54-62 Townsend Street
Dublin 2
Ireland

INVESTMENT MANAGER

Mediolanum Asset Management Limited
2 Shelbourne Buildings
Shelbourne Road
Ballsbridge
Dublin 4
Ireland

DELEGATE INVESTMENT MANAGER

Tages Capital LLP
39 St James’ Street
London SW1A1D
United Kingdom

¹Non-executive Directors

²Executive Director

³Independent Non-executive Directors

⁴Vittorio Gaudio resigned 19 July 2016

MEDIOLANUM FUND OF HEDGE FUNDS

TRUST INFORMATION (CONTINUED)

GLOBAL DISTRIBUTOR

Mediolanum International Funds Limited
2 Shelbourne Buildings
Shelbourne Road
Ballsbridge
Dublin 4
Ireland

IRISH LEGAL ADVISORS

Dillon Eustace
33 Sir John Rogerson's Quay
Dublin 2
Ireland

INDEPENDENT AUDITORS

Deloitte
Chartered Accountants and Statutory Audit Firm
Hardwicke House
Hatch Street
Dublin 2
Ireland

MEDIOLANUM FUND OF HEDGE FUNDS

STATEMENT OF MANAGER'S RESPONSIBILITIES

For the financial year ended 31 December 2016

The Manager is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Trust and of the profit or loss of the Trust for that financial year. In preparing those financial statements, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in business.

The Manager is responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Trust and to enable it to ensure that the financial statements are prepared in accordance with the Financial Reporting Standard applicable in the UK and the Republic of Ireland ("FRS 102") and comply with the Trust Deed and the Unit Trusts Act, 1990. The Manager is also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance Statement

On 14 December 2011, The Irish Funds Industry Association ("IFIA") currently known as Irish Funds, published a corporate governance code ("IFIA Code") that may be adopted on a voluntary basis by Irish authorised collective investment schemes. Mediolanum International Funds Limited, as Manager of the Trust, has adopted the code.

Connected Party Transactions

The Directors of the Manager are satisfied that transactions with connected parties entered into during the year complied with the obligations set out in Chapter 1, Part 1, Section 1, xii of the AIF Rulebook, namely any such transactions be carried out at arm's length and in the best interest of the Unitholders.

On behalf of the Manager:


Director


Director

26 April 2017

MEDIOLANUM FUND OF HEDGE FUNDS

ANNUAL DEPOSITARY REPORT TO THE UNITHOLDERS MEDIOLANUM FUND OF HEDGE FUNDS For the financial year ended 31 December 2016

We, Northern Trust Fiduciary Services (Ireland) Limited, appointed Depositary to Mediolanum Fund of Hedge Funds ("the Trust") provide this report solely in favour of the unitholders of the Trust for the year ended 31 December 2016 ("Annual Accounting Period"). This report is provided in accordance with current Depositary obligation under the Central Bank of Ireland AIF Rule Book, Chapter 6 (iii). We do not, in the provision of this report, accept nor assume responsibility for any other purpose or person to whom this report is shown.

In accordance with our Depositary obligation under the AIF Rule Book, we have enquired into the conduct of the AIFM for this Annual Accounting Period and we hereby report thereon to the unitholders of the Trust as follows;

We are of the opinion that the Trust has been managed by the AIFM during the year, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Trust by the constitutional document and by the Central Bank of Ireland under the powers granted to the Central Bank of Ireland by the investment fund legislation; and
- (ii) otherwise in accordance with the provisions of the constitutional document and the investment fund legislation.



**For and on behalf of
Northern Trust Fiduciary Services (Ireland) Limited**

26 April 2017

MEDIOLANUM FUND OF HEDGE FUNDS

INVESTMENT MANAGER'S REPORT

For the financial year ended 31 December 2016

Alternative Strategy Collection

Performance Fund*

31/12/15 – 31/12/16

(2.21)%

** Performance is stated in euro, net of management fee, performance fee and costs.*

The Mediolanum Alternative Strategy Collection reported for 2016 an estimated net performance of (2.21)%.

The start of 2016 has seen market participants expressing their concerns over the state of the global economy. Global equity markets recorded in January a fall of (5.5)% and Mediolanum Alternative Strategy Collection registered a (2.21)% return. Most of the strategies in portfolio contributed negatively for the month, with however positive contribution coming from the Global Macro and Commodity Trading Advisors (“CTA”) managers. Financial markets remained highly volatile in February, seeing a period of severe downward pressure in the first half of the month with a subsequent sharp rally in the second half. While Equity Long/Short and Macro managers recovered previous month losses, negative contribution came from the Equity Market Neutral strategy that was caught in the rotation momentum of the markets. Emerging Market managers also suffered because of their Asian exposure. Equity Markets resumed in March, but the portfolio was just slightly positive for the month. In April, the portfolio was impacted by the negative month of an Event Driven fund that suffered significantly from the deal break between Allergan and Pfizer. May was the month of reversals. Although the rally in risky assets which had started in mid-February seemed to continue in May, most of the trends which had been driving the recovery reversed. Positive alpha reappeared. Event driven, equity long short and equity market neutral, which have produced the most disappointing returns year to date, were the best strategies for the month, while managed futures (the best performing strategy until April) was by far the laggard. In June actions in financial markets were dominated by the UK referendum. The best performing managers were CTA's, benefiting mainly from their long fixed income and precious metals positions. It was a difficult month for other strategies, equity market neutral in particular, which suffered from erratic moves and a sudden and violent increase of correlations. Following the volatility caused by the Brexit vote, financial markets took a positive stance in July as it became clearer that the consequences of the vote are likely to be longer term and as such more unpredictable. The summer was overall positive and after the summer break, market participants re-entered the market without strong convictions. In October, financial markets faced the prospects of a more and more likely rate hike by the Fed in December and an increased possibility of a Trump victory at the imminent US Presidential elections. Overall this translated into the third negative month in a row for the US equity market, a significant rise in rates, a stronger dollar and as a consequence, weaker emerging markets and commodity prices (with the notable exception of soft commodities). The Trump victory supported a rally in US equity markets, while European and Emerging Markets underperformed. In this context, Equity Long/Short and particularly Equity Market Neutral managers suffered meaningful losses, being caught wrong footed on both their long and short portfolios. Event driven managers performed positively as some deals closed during the month, but also from a more generic spread compression triggered by less uncertainty. The year ended with a positive note and a positive return in December for the portfolio.

Market Outlook

Economic data have been positive in the last weeks of 2016, confirming the reflation phase underway in many economies. As a consequence, risk assets have continued to appreciate while government yields, after the sharp move of November and December, have stabilised.

INVESTMENT MANAGER'S REPORT

For the financial year ended 31 December 2016 (continued)

Alternative Strategy Collection (continued)

The mid-term sustainability of this acceleration remains however uncertain, as structural issues related to low investments and sub-par trade flows and political uncertainty attached to Trump election and Brexit are unresolved. Also elevated valuations and over sold/bought conditions across most asset classes contribute to make us prudent.

In this context, we continue to favor nimble and tactical managers with a variable or neutral net exposure and with sector specialisations. At strategy level, we view more opportunities in the equity and relative value space, while in the tactical bucket our preference goes with discretionary managers. Generally speaking, the fall seen in recent weeks in cross correlation and a decent level of dispersion still present in the equity markets should favor hedge funds in generating uncorrelated returns and alpha. More in detail, for the single strategies our outlook is the following:

- 1) Tactical strategies: Financial markets responded to Trump's election with upward moves in stocks and government yields. Traders are now focused on the transition from announcements to implementation of Trump's policy and, more importantly, its outcome. Clear macro trends are emerging in global financial markets: US monetary policy is shifting to a tightening bias and there is global policy divergence, as the rest of developed world (Europe & Japan) remain firmly into monetary easing territory. USD strength is the likely outcome of divergence, but could potentially become excessive, negatively impacting both US economy and emerging markets. Discretionary traders are optimistic about the opportunity set in 2017. CTA's are likely to benefit from the price trends that will emerge. While the environment should prove positive for tactical trading styles, we expect differentiation; price trends are smooth, CTA's should outperform, while in an environment of choppy trends with frequent pullbacks, discretionary macro managers should outperform.
- 2) Equity Long/Short strategies: In the US, equities continued the reflation rally triggered post the US elections. In Europe, markets rallied hard following the conclusion of the Italian Referendum. Once again, expectations of reflation and rising rates saw financials at the forefront. Japanese equity markets rose as the Yen continued to weaken sharply, driven especially by a divergence in US and Japanese expected yields. We remain cautious in the current market environment. We continue to favour (good) stock pickers, especially those who are nimble and able to adapt to more volatile markets, and sector specialists, who can find more niche opportunities and take advantage of market inefficiencies.
- 3) Event Driven: The Trump Administration is likely to take a softer stance on antitrust issues as part of its pro-business approach and a number of deals that were previously attempted and rejected over the past few years, are likely to come to fruition. On top of that, fiscal stimulus and the offshore cash repatriation of US corporates are likely to significantly stimulate US domestic Merger & Acquisition ("M&A") activity. Chinese M&A, which hit record volumes in 2016, is likely to slow down considerably as on one side there is growing global protectionism and on the other side, China will also prohibit non-strategic and non-core business deals in order to protect its currency outflows.
- 4) Credit Strategies: We continue to focus on trading oriented variable bias managers and niche strategies. The opportunity set in the US looks much more attractive than in Europe.
- 5) Fixed Income: The message from the bond market is that the period of acute deflation anxiety is over and the reflation theme is the narrative of the moment. Divergence in monetary policy is creating more opportunities for managers in the space.
- 6) Emerging and Frontier Markets: USD strength is going to be a headwind for Emerging Markets, especially those with weak fiscal situations. Overall we favor Frontier Markets over Emerging markets, which are typically more correlated to global markets and are more likely to be affected by a stronger USD and an increase in the cost of capital.

MEDIOLANUM FUND OF HEDGE FUNDS

INVESTMENT MANAGER'S REPORT

For the financial year ended 31 December 2016 (continued)

Mediolanum High Volatility Fund Side Pocket

Performance Fund*	31/12/15 – 31/12/16	24.43%
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** Performance is stated in euro, net of management fee, performance fee and costs.*

During 2016, there were no changes in the composition of the Side Pocket, which comprised one investment in the GLG Emerging Markets Growth Fund, which in turn has one investment left in a minority position in Sibanthracite plc (“Sibanthracite”), a privately-held Russian coal-mining company. During the year, there were no changes in the allocation of the portfolio, with only a cash distribution for value date June 30, related to dividends from the underlying asset and equal to about 10% of the investment.

Mediolanum Asset Management Limited

February 2017

MEDIOLANUM FUND OF HEDGE FUNDS

ALTERNATIVE STRATEGY COLLECTION

SCHEDULE OF INVESTMENTS

As at 31 December 2016

Financial assets at fair value through profit or loss	Holdings	Currency	Fair Value (EUR) €	% of Net Assets
Collective Investment Schemes: 99.04% (2015: 95.10%)				
British Virgin Islands: 0.00% (2015: 0.00%)				
Kingate Global Fund - Vi**	10,750	USD	-	-
Total British Virgin Islands			-	-
Cayman Islands: 64.45% (2015: 75.64%)				
Alvento Long/Short Equity Fund Class F EUR 02/2016 Res	1,500	EUR	1,597,032	1.76
Alvento Long/Short Equity Fund Class F EUR 03/2016 Res	1,000	EUR	1,024,227	1.13
Alvento Long/Short Equity Fund Class F EUR 10/2015	3,129	EUR	3,486,005	3.84
Atreus Overseas Fund Tranche A Series 06/2016	4,500	USD	4,274,047	4.71
Atreus Overseas Fund Tranche A Series 08/2016	1,100	USD	1,060,488	1.17
GAM Talentum Enhanced Europe Long/Short A EUR Series Initial	15,185	EUR	3,936,014	4.33
Melqart Opportunities Fund Class B Series 1	3,000	EUR	3,213,193	3.54
MKM Longboat Multi Strategy Fund USD Class R*	2,877	USD	-	-
New Peak Enhanced Fund Class BR EUR	40,887	EUR	4,517,563	4.97
Palmerston Credit Feeder Fund Founder EUR Series 11/2014	49,945	EUR	5,736,009	6.32
Pentwater Merger Arbitrage Fund A-R-V 06/2016	5,069	USD	5,607,591	6.17
Pine River Liquid Rates Class C Series 1 11/2013	4,998	USD	6,407,966	7.06
Rockhampton Fund Class A USD Restricted Series 2 08/2003	442	USD	1,487,987	1.64
Ronit Global Opportunities Fund B Shares EUR NNI Series 1 11/2016	25,000	EUR	2,412,675	2.66
Ronit Global Opportunities UCITS EUR Institutional Class A Founder	12,000	EUR	1,197,720	1.32
Stone Milliner Macro Fund Class B EUR NNI - Series 1 09/2013	53,550	EUR	6,838,304	7.53
TT Mid-Cap Europe Long/Short Fund Class A EUR	13,798	EUR	5,724,599	6.30
Total Cayman Islands			58,521,420	64.45
Ireland: 15.45% (2015: 0.00%)				
FundLogic Alternatives - Quantica Managed Futures UCITS Strategy Fund	2,542	EUR	2,442,953	2.69
FundLogic Alternatives PLC - Market Neutral Credit UCITS Fund	5,378	EUR	5,554,758	6.12
Sector Healthcare Fund Class A EUR 06/2016	46,352	EUR	6,029,436	6.64
Total Ireland			14,027,147	15.45
Luxembourg: 19.16% (2015: 19.46%)				
Alpha UCITS - Amber Equity Fund Class A EUR	3,067	EUR	3,927,190	4.32
Hellebore Credit Arbitrage Class B EUR	1,082	EUR	3,474,263	3.83
Tages - Anavon Global Equity Long/Short UCITS Fund - Class S Eur	10,102	EUR	978,644	1.08
Tages - Anavon Global Equity Long/Short UCITS Fund - Class E Eur	41,609	EUR	3,999,043	4.40
Tages Fore UCITS Fund Class A EUR	98,870	EUR	5,020,257	5.53
Total Luxembourg			17,399,397	19.16
Total Collective Investment Schemes			89,947,964	99.06

* Fair value of investments written down to zero on 30 November 2009

** In Voluntary Liquidation

MEDIOLANUM FUND OF HEDGE FUNDS**ALTERNATIVE STRATEGY COLLECTION****SCHEDULE OF INVESTMENTS (continued)
As at 31 December 2016**

	Fair Value	% of
Financial assets at fair value through profit or loss	(EUR) €	Net Assets
Total Forward Foreign Exchange Contracts (note 9) (2015: 0.14%)	5,896	0.01
Total Financial Assets at fair value through Profit or Loss	89,953,860	99.07
Financial liabilities at fair value through profit or loss		
Total Forward Foreign Exchange Contracts (note 9) (2015: (0.17%))	(109,151)	(0.12)
Total Financial Liabilities at fair value through Profit or Loss	(109,151)	(0.12)
Total Net Assets at fair value through Profit or Loss	89,844,709	98.95
Cash (2015: 3.81%)	6,315,087	6.95
Other Net Liabilities (2015: 1.12%)	(5,356,313)	(5.90)
Net Assets Attributable to Holders of Redeemable Participating units	90,803,483	100.00

MEDIOLANUM FUND OF HEDGE FUNDS

MEDIOLANUM HIGH VOLATILITY FUND SIDE POCKET

SCHEDULE OF INVESTMENTS (continued) As at 31 December 2016

Financial assets at fair value through profit or loss	Holdings	Currency	Fair Value (EUR) €	% of Net Assets
Collective Investment Schemes: 70.11% (2015: 71.12%)				
Cayman Islands: 70.11% (2015: 71.12%)				
GLG Emerging Markets Growth Fund Class E***	4,035	EUR	307,268	70.11
Total Cayman Islands			307,268	70.11
Total Collective Investment Schemes			307,268	70.11
Total Net Assets at fair value through Profit or Loss			307,268	70.11
Cash (2015: 42.78%)			176,562	40.29
Other Net Liabilities (2015: (13.90%))			(45,568)	(10.40)
Net Assets Attributable to Holders of Redeemable Participating units			438,262	100.00

*** Investment in side pocket shares

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
MEDIOLANUM FUND OF HEDGE FUNDS
For the financial year ended 31 December 2016**

We have audited the financial statements of Mediolanum Fund of Hedge Funds (the "Trust") for the financial year ended 31 December 2016 which comprise the Statement of Net Assets, Income Statement, Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Units, Statement of Cash Flows, and the related notes 1 to 21. The relevant financial reporting framework that has been applied in their preparation is Irish Law and FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("relevant financial reporting framework").

This report is made solely to the Trust's unit holders, as a body in accordance with the requirements of Unit Trusts Act, 1990 and the Trust Deed. Our audit work has been undertaken so that we might state to the unit holders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust's unit holders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Trustee, the Manager and the Auditors

As explained more fully in the Statement of Manager's Responsibilities, the manager is responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish Law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. The Trustee is responsible for safeguarding the assets of the Trust.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report & Audited Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Trust as at 31 December 2016 and of the profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and the Unit Trusts Act, 1990 and the Trust Deed.

Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin

Date: 28 April 2017

MEDIOLANUM FUND OF HEDGE FUNDS

STATEMENT OF NET ASSETS as at 31 December 2016

		Alternative Strategy Collection	Alternative Strategy Collection	Mediolanum High Volatility Fund	Mediolanum High Volatility Fund	Total	Total
	Note	31 Dec 2016 EUR €	31 Dec 2015 EUR €	31 Dec 2016 EUR €	31 Dec 2015 EUR €	31 Dec 2016 EUR €	31 Dec 2015 EUR €
Assets							
Cash at bank	4	6,315,087	4,675,015	176,562	150,687	6,491,649	4,825,702
Financial assets at fair value through profit or loss	9	89,953,860	116,829,158	307,268	250,485	90,261,128	117,079,643
Accrued interest receivable		67	-	-	-	67	-
Sundry receivables and prepayments	6	861,658	2,197,863	-	-	861,658	2,197,863
Total assets		97,130,672	123,702,036	483,830	401,172	97,614,502	124,103,208
Liabilities							
Financial liabilities at fair value through profit or loss	9	109,151	209,419	-	-	109,151	209,419
Redemptions payable		2,000,000	-	-	-	2,000,000	-
Administration fee payable	3	9,750	25,804	3,000	5,000	12,750	30,804
Management fee payable	3	117,098	153,581	42,259	36,681	159,357	190,262
Investment manager fee payable	3	22,737	30,716	-	-	22,737	30,716
Depository fee payable	3	11,425	27,627	-	-	11,425	27,627
Auditors remuneration payable		27,556	20,500	-	2,500	27,556	23,000
Accrued interest payable		1,812	2,395	91	-	1,903	2,395
Sundry payables and accrued expenses	7	4,027,660	564,424	218	4,785	4,027,878	569,209
Total liabilities		6,327,189	1,034,466	45,568	48,966	6,372,757	1,083,432
Net assets attributable to holders of redeemable participating units		90,803,483	122,667,570	438,262	352,206	91,241,745	123,019,776

On behalf of the Manager

Director

26 April 2017

Director

The accompanying notes form an integral part of the financial statements

MEDIOLANUM FUND OF HEDGE FUNDS

INCOME STATEMENT

For the financial year ended 31 December 2016

		Alternative Strategy Collection 31 Dec 2016	Alternative Strategy Collection 31 Dec 2015	Mediolanum High Volatility Fund 31 Dec 2016	Mediolanum High Volatility Fund 31 Dec 2015	Total 31 Dec 2016	Total 31 Dec 2015
	Note	EUR €	EUR €	EUR €	EUR €	EUR €	EUR €
Income							
Interest income		-	-	-	13,552	-	13,552
Other income		90,516	91,110	15,269	-	105,785	91,110
Net realised (loss)/gain on financial assets and liabilities at fair value through profit or loss and foreign exchange	16	4,606,379	10,837,379	(6,042)	762,065	4,600,337	11,599,444
Net realised gain/(loss) on forward foreign exchange contracts and currency exchange	16	(452,636)	(9,569,741)	-	8,175	(452,636)	(9,561,566)
Net change in unrealised gain/(loss):							
- financial assets and liabilities at fair value through profit or loss and foreign exchange	16	(4,878,856)	2,020,384	89,456	37,525	(4,789,400)	2,057,909
- open forward foreign exchange contracts	16	(63,331)	2,212,115	-	-	(63,331)	2,212,115
Total investment income/(expense)		(697,928)	5,591,247	98,683	821,317	(599,245)	6,412,564
Expenses							
Management fee	3	1,568,385	2,200,516	5,578	31,413	1,573,963	2,231,929
Investment management fee	3	304,541	427,285	-	-	304,541	427,285
Performance fee	3	-	235,164	-	-	-	235,164
Administration fee	3	41,220	56,811	12,000	12,000	53,220	68,811
Depositary fee	3	49,202	67,896	-	-	49,202	67,896
Interest expenses		29,442	13,760	753	-	30,195	13,760
Auditors remuneration		20,257	20,500	(2,407)	2,500	17,850	23,000
Distributions	8	-	-	-	2,550,000	-	2,550,000
Other expenses		69,812	181,570	(3,297)	1,325	66,515	182,895
Total expenses		2,082,859	3,203,502	12,627	2,597,238	2,095,486	5,800,740
Increase/(decrease) in net assets from operations attributable to holders of redeemable participating units		(2,780,787)	2,387,745	86,056	(1,775,921)	(2,694,731)	611,824

All profit and loss account items arose solely from continuing operations during the financial year.

The Trust has no recognised gains and losses other than the results for the financial year above.

On behalf of the Manager

Director
26 April 2017

Director



The accompanying notes form an integral part of the financial statements

MEDIOLANUM FUND OF HEDGE FUNDS

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING UNITS

For the financial year ended 31 December 2016

	Alternative Strategy Collection 31 Dec 2016 EUR €	Alternative Strategy Collection 31 Dec 2015 EUR €	Mediolanum High Volatility Fund 31 Dec 2016 EUR €	Mediolanum High Volatility Fund 31 Dec 2015 EUR €	Total 31 Dec 2016 EUR €	Total 31 Dec 2015 EUR €
Net assets attributable to holders of redeemable participating units at start of year	122,667,570	163,213,617	352,206	2,128,127	123,019,776	165,341,744
Increase/(decrease) in net assets from operations attributable to holders of redeemable participating units	(2,780,787)	2,387,745	86,056	(1,775,921)	(2,694,731)	611,824
Proceeds from the issue of units	658,000	-	-	-	658,000	-
Payments on the redemption of units	(29,741,300)	(42,933,792)	-	-	(29,741,300)	(42,933,792)
Net assets attributable to holders of redeemable participating units at end of year	90,803,483	122,667,570	438,262	352,206	91,241,745	123,019,776

The accompanying notes form an integral part of the financial statements

MEDIOLANUM FUND OF HEDGE FUNDS

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	Alternative Strategy Collection 31 Dec 2016 EUR €	Alternative Strategy Collection 31 Dec 2015 EUR €	Mediolanum High Volatility Fund 31 Dec 2016 EUR €	Mediolanum High Volatility Fund 31 Dec 2015 EUR €	Total 31 Dec 2016 EUR €	Total 31 Dec 2015 EUR €
Cash flows from operating activities						
Change in net assets attributable to holders of redeemable participating units from operations	(2,780,787)	2,387,745	86,056	(1,775,921)	(2,694,731)	611,824
Adjustments to reconcile to net cash generated by operating activities:						
Movement in financial assets and liabilities at fair value through profit or loss	26,775,030	43,358,484	(56,783)	1,374,257	26,718,247	44,732,741
Movement in receivables and prepaid investments	1,336,138	(2,197,863)	-	-	1,336,138	(2,197,863)
Movement in payables and accrued expenses	3,392,991	153,464	(3,398)	31,328	3,389,593	184,792
Net cash generated/(used in) by operating activities	<u>28,723,372</u>	<u>43,701,830</u>	<u>25,875</u>	<u>(370,336)</u>	<u>28,749,247</u>	<u>43,331,494</u>
Cash flow from financing activities						
Proceeds from issue of redeemable participating units	658,000	-	-	-	658,000	-
Payments on redemption of redeemable participating units	(27,741,300)	(47,933,792)	-	-	(27,741,300)	(47,933,792)
Net cash used in financing activities	<u>(27,083,300)</u>	<u>(47,933,792)</u>	<u>-</u>	<u>-</u>	<u>(27,083,300)</u>	<u>(47,933,792)</u>
Net increase/(decrease) in cash and cash equivalents	1,640,072	(4,231,962)	25,875	(370,336)	1,665,947	(4,602,298)
Opening cash and cash equivalents	<u>4,675,015</u>	<u>8,906,977</u>	<u>150,687</u>	<u>521,023</u>	<u>4,825,702</u>	<u>9,428,000</u>
Ending cash and cash equivalents	<u>6,315,087</u>	<u>4,675,015</u>	<u>176,562</u>	<u>150,687</u>	<u>6,491,649</u>	<u>4,825,702</u>
Supplementary information						
Interest paid	(30,025)	(13,760)	445	-	(29,580)	(13,760)
Interest received	67	-	-	13,552	67	13,552

The accompanying notes form an integral part of the financial statements

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. General

Mediolanum Fund of Hedge Funds (the “Trust”), constituted on 11 April 2005, is an open-ended umbrella unit trust and is authorised by the Central Bank of Ireland (“the Central Bank”) pursuant to the provisions of the Unit Trusts Act, 1990.

In accordance with Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and the European Union (Alternative Investment Fund Managers) Regulations 2013 (S.I.257 of 2013), Mediolanum International Funds Limited has been authorised as the Alternative Investment Fund Manager (“AIFM”) of the Trust effective 21 July 2014. In addition Northern Trust Fiduciary Services (Ireland) Limited has been appointed as Depositary to the Trust effective 21 July 2014.

The Trust is structured as an umbrella scheme and the following Sub-Funds have been authorised by the Central Bank:

Mediolanum High Volatility Fund (Side Pocket created 1 November 2013).

Alternative Strategy Collection is currently the only Sub-Fund actively trading.

The investment objective of the Alternative Strategy Collection is to seek to achieve medium to long term capital appreciation while attempting to limit investment risk and the year-on-year volatility rate to less than that of the global equity markets. The Sub-Fund will invest primarily in open-ended regulated and non-regulated collective investment schemes which pursue a range of alternative investment strategies thus allowing diversification of financial assets held, with the aim of lowering overall risk.

A side pocket for illiquid securities of the High Volatility Fund was created on the 1 November 2013. The Side Pocket initially comprised of two securities one of which has since been fully redeemed and the Side Pocket currently holds one illiquid security - GLG Emerging Markets Growth Fund Class E.

“SA” Units automatically reinvest all earnings, dividend and other distributions of whatever kind and “SB” Units may distribute earnings back to Unitholders.

2. Basis of Accounting

(a) Accounting Convention

The financial statements are prepared in accordance with Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”), AIFM Regulations – European Union (Alternative Investment Fund Managers) Regulations 2013 (SI No 257 of 2013) and the Trust Deed.

(b) Financial Instruments

(i) Classification

The Trust classifies its investment securities as financial assets and liabilities at fair value through profit or loss: held for trading, in accordance with IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”).

Investments are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. This category included equities and derivatives. These investments are acquired principally for the purpose of generating a profit from fluctuations in the price.

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued) **For the financial year ended 31 December 2016**

2. Basis of Accounting (continued)

(b) Financial Instruments (continued)

(ii) Measurement and Recognition

The Trust has elected to apply the recognition and measurement provisions of IAS 39 - Financial Instruments: Recognition and Measurement and the disclosures of Section 11 and 12 of FRS 102.

The Trust recognises financial assets held-for-trading on the trade date, being the date it commits to purchase or sell short the instruments. From this date any gains and losses arising from changes in fair value of the assets or liabilities are recognised in the relevant Sub-Fund and Statement of Income, where relevant. Other financial assets and liabilities are recognised on the date they are originated.

Financial instruments categorised at fair value through profit or loss are measured initially at fair value, with transaction costs for such instruments being expensed immediately in the Statement of Income, where relevant.

Financial assets and liabilities not at fair value through profit or loss are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or issue.

(iii) Subsequent measurement

After initial measurement, the Trust measures financial instruments, which are classified as at fair value through profit or loss, at their fair values.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of financial instruments is based on their quoted market prices on a recognised exchange or sourced from a reputable broker/counterparty in the case of non-exchange traded instruments, at the Statement of Net Assets date without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at their last traded value.

If a quoted market price is not available on a recognised stock exchange or from broker/counterparty, the fair value of the financial instruments may be estimated by a competent person using valuation techniques, including use of recent arm's length market transactions and reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Subsequent changes in the fair value of financial instruments at fair value through profit or loss are recognised in the Income Statement, where relevant.

All investments in the Trust's portfolios as at 31 December 2016 were recorded at the fair value.

(iv) Derecognition

The Trust derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or the Trust has transferred substantially all the risk and rewards of ownership and the transfer qualifies for derecognition in accordance with IAS 39. The Trust derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

(v) Fair value Measurement

FRS 102 requires a reporting entity in accounting for its financial instruments to apply either a) the full requirements of FRS 102 relating to Basic Financial Instruments and Other Financial Instruments, b) the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement and only the disclosure requirements of FRS 102 relating to Basic Financial Instruments and Other Financial Instruments, or c) the recognition and measurement provisions of IFRS 9 Financial Instruments and only the disclosure requirements of FRS 102 relating to Basic Financial Instruments and Other Financial Instruments. The Trust has chosen to implement the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement and only the disclosure requirements of FRS 102 relating to Basic Financial Instruments and Other Financial Instruments.

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2016

2. Basis of Accounting (continued)

(c) Valuation of Investments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of financial instruments is based on their quoted market prices on a recognised exchange at the Statement of Net Assets date without any deduction for estimated future selling costs.

Investments in Collective Investment Schemes are measured at fair value. Fair value is based on the underlying Fund Administrator's calculation of the Net Asset Value per Unit (fair value of the Sub-Fund's assets less liabilities divided by number of units) and adjusting this Net Asset Value per Unit appropriately for any factors that indicate that Net Asset Value per Unit may not be fair value. If, in any case, a Net Asset Value is not ascertainable then fair value is estimated using valuation techniques designed to provide a reliable estimate of prices obtained in actual market transactions.

The Manager is of the view that the most appropriate estimate of fair value of its investments in Collective Investment Schemes is the Net Asset Value as reported by the scheme or its agents. The Manager reviews the valuations using its knowledge of the market and the investments held.

The underlying Collective Investment Schemes may utilise a variety of financial instruments in their trading strategies, including equity and debt securities as well as a variety of derivative instruments. Several of these financial instruments contain varying degrees of off-balance sheet risk whereby changes in market values of the securities underlying the financial instruments may be in excess of the amounts recorded on each Collective Investment Schemes' Balance Sheet.

(d) Accounting for Investments

Investment transactions are accounted for on the trade date. Realised gains and losses on investment disposals are calculated using average cost method.

(e) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the Trust's financial statements are measured using the Euro, as in the opinion of the Directors of the Manager, the Euro best represents the economic effects of the underlying transactions, events and conditions applicable to the Trust. The Trust has also adopted the Euro as its presentation currency.

(ii) Transactions and balances

Monetary assets and liabilities denominated in currencies other than the presentation currency are translated to the presentation currency at the closing rates of exchange at period end. Transactions during the year, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency transaction gains and losses are included in the Income Statement.

(f) Income

Income arising from investments is accounted for on an accruals basis and is shown gross of irrecoverable withholding taxes, where applicable.

(g) Forward Currency Contracts

The unrealised gain or loss on open forward currency contracts is calculated as the difference between the original contracted rate and the rate to close out the contract. Realised gains or losses on currency as reflected in the Income Statement include net gains and losses on forward currency contracts that have not settled.

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2016

2. Basis of Accounting (continued)

(h) Taxation

The Trust qualifies as an investment undertaking as defined in Section 739B (1) of the Taxes Act. Under current Irish Law and practice, it is not chargeable to Irish tax on its income and capital gains. Tax may arise on the happening of a chargeable event. A chargeable event includes any distribution payments to Unitholders or any encashment, redemption or transfer of units. No tax will arise on the Trust in respect of chargeable events in respect of:

- (i) a Unitholder who is not Irish resident and not ordinarily resident in Ireland for tax purposes at the time of the chargeable event, or
- (ii) certain exempted Irish resident investors who have provided the Trust with the necessary signed statutory declarations, or
- (iii) units held in a recognised clearing system as designed by the order of the Irish Revenue Commissioners.

Distributions and interest on securities issued in countries other than Ireland may be subject to taxes including withholding taxes imposed by such countries. The Trust may not be able to benefit from a reduction in the rate of withholding tax by virtue of the double taxation agreement in operation between Ireland and other countries. The Trust may not, therefore, be able to reclaim withholding tax suffered by it in particular countries.

To the extent that a chargeable event arises in respect of an Irish Unitholder, the Trust may be required to deduct tax in connection with that chargeable event and pay the tax to the Irish Revenue Commissioners. A chargeable event can include dividend payments to Unitholders, appropriation, cancellation, redemption, repurchase or transfer of units, or a deemed disposal of units every 8 years beginning from the date of acquisition of those units. Certain exemptions can apply to tax exempt Irish investors to the extent that these Unitholders have appropriate tax declarations in place with the Trust in which case there may be no requirement to deduct tax.

(i) Equalisation on Investments

Many investment funds operate an equalisation policy that applies to the purchase of units made on a dealing day during the accounting period. When the net asset value per unit is more than the value at the beginning of the accounting period ("peak net asset value"), the offering price of units in the Trust is the sum of the net asset value per unit and the "equalisation factor". The Trust does not operate an equalisation policy on the issue and redemption of units to its Unitholders.

(j) Redeemable Participating Units

Redeemable Participating Units are redeemable at the unitholder's option and are classified as financial liabilities. Any distributions on these participating units are recognised in the Income Statement.

(k) Classification of Redeemable Participating Units

The Trust provides its Unitholders with the right to redeem their interest in the Sub-Funds at any dealing date for cash equal to their proportionate share of the net asset value of the Sub-Funds. Under Financial Reporting Standards – Financial Instruments: Disclosure and presentation (FRS 102), this right represents in substance a liability of the Trusts to Unitholders.

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2016

3. Fees and Expenses

(a) Management Fees

Mediolanum International Funds Limited, the Manager, is entitled to an annual fee accrued and payable monthly in arrears of 1.50% of the Net Asset Value of each relevant Sub-Fund. The Manager is also entitled to be repaid all of its Administration Expenses out of the assets of each Sub-Fund, which include an annual fee accrued at each valuation point and payable monthly in arrears of up to 0.045% of the Net Asset Value of each relevant Sub-Fund. A fee of €10 is charged (gross of any relevant taxes) per Class in which a Unitholder holds less than 25 Units. The appropriate number of Units of each such Unitholder will be automatically redeemed to pay these administrative charges. If a Unitholder holds a number of Units in any class with a value of less than €10 (gross of any relevant taxes), then his/her entire holding shall be automatically redeemed and paid to the Manager. This administrative charge shall be adjusted periodically in accordance with the Eurostat All Items Harmonised Index of Consumer Prices (HICP). This administrative charge is chargeable on the first Dealing Day in December of each year. The Manager received management fees of €1,573,963 (31 December 2015: €2,231,929) for the financial year ended 31 December 2016.

(b) Investment Manager Fees

Mediolanum Asset Management Limited, the Investment Manager, is entitled to receive out of the assets of each relevant Sub-Fund an annual fee, accrued at each Valuation Point and payable monthly in arrears of 0.30% of the Net Asset Value of the relevant Sub-Fund (plus VAT, if any), subject to a minimum annual fee of €75,000 per Sub-Fund. The Investment Manager received management fees of €304,541 (31 December 2015: €427,285) for the financial year ended 31 December 2016. The investment management fees for the Mediolanum High Volatility Fund Side Pocket have been waived.

The Investment Manager is not entitled to be repaid for any out-of-pocket expenses out of the assets of a Sub-Fund.

The fees relating to the Delegate Investment Manager appointed in respect of the Sub-Funds shall be borne by the Investment Manager and shall not be charged to the Sub-Funds. A Delegate Manager shall not be entitled to be repaid for any out of pocket expenses out of the assets of the Sub-Funds.

(c) Performance Fees

The Investment Manager is also entitled to a performance fee of up to 10% of the increase in the Net Asset Value of each Sub-Fund, calculated on a monthly basis. The calculation of the performance fee will be verified by the Depositary. The Investment Manager received performance fees for the financial year ended 31 December 2016 of €Nil (31 December 2015: €235,164) in relation to the Alternative Strategy Collection. Performance fees for the Mediolanum High Volatility Fund Side Pocket have been waived.

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued) For the financial year ended 31 December 2016

3. Fees and Expenses (continued)

(d) Administration Fees

Northern Trust International Fund Administration Services (Ireland) Limited, the Administrator, is entitled to receive out of the assets of the Sub-Fund an annual fee accrued at each Valuation Point at the following rates €0-200 million the fee shall be 0.04% per annum of the Net Asset Value of the Fund, €200-400 million the fee shall be 0.03% per annum of the Net Asset Value of the Sub-Fund, in excess of €400 million the fee shall be 0.025% per annum of the Net Asset Value of the Sub-Fund and payable monthly in arrears. Such a fee is subject to a minimum monthly fee of €3,000 per Sub-Fund or, where the relevant Sub-Fund has multiple Classes, a minimum monthly fee of €3,250 applies.

If at any time during a calendar year there are ten or more Unitholders in each Sub-Fund, the following transfer agency fees will apply:

- i) an annual Unitholder register fee of €25 per Unitholder; and
- ii) a transaction fee of €25 for each subscription, conversion, redemption or transfer of Units.

The Administrator is entitled to receive a termination fee of €2,500 for the termination of each and any Sub-Fund within the Trust and a monthly fee of €1,000 for the establishment and maintenance of any Side Pocket within the Trust.

The Administrator is entitled to be repaid out of the assets of each Sub-Fund all of its reasonable out-of-pocket expenses incurred on behalf of each Sub-Fund which shall include legal fees, couriers' fees and telecommunications costs and expenses. Each Sub-Fund will bear its proportion of the fees and expenses of the Administrator. The Administrator received fees of €53,220 (31 December 2015: €68,811) for the financial year ended 31 December 2016.

(e) Depositary Fees

Northern Trust Fiduciary Services (Ireland) Limited, the Depositary, is entitled to receive out of the assets of the Sub-Fund an annual fee accrued at each Valuation Point at the following rates €0-200 million and the fee shall be 0.04% per annum of the Net Asset Value of the Sub-Fund, in excess of €200 million the fee shall be 0.03% per annum of the Net Asset Value of the Sub-Fund as a whole and payable monthly in arrears.

The Depositary is entitled to a transaction charge of €150 per Sub-Fund Hedge Fund investment transaction and telegraphic transfer charge of €25 per transaction.

Each Sub-Fund is responsible for sub-custodian fees and charges (which will be charged at normal commercial rates).

The Depositary shall be entitled to be repaid all of its disbursements out of the assets of each Sub-Fund.

The Depositary received fees of €49,202 (31 December 2015: €67,896) for the financial year ended 31 December 2016.

(f) Underlying Fund Fees

Both the Alternative Strategy Collection and Mediolanum High Volatility Fund Side Pocket are invested in underlying funds which incur their own fees. The details of the fees charged by the underlying funds are detailed in the Fund of Funds Disclosure on pages 38 to 39.

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2016

4. Bank Balances

The Depositary to the Trust is Northern Trust Fiduciary Services (Ireland) Limited, an indirect wholly-owned subsidiary of Northern Trust Corporation ("NTC"). NTC is publicly traded and a constituent of the S&P 500. NTC has a credit rating of A+ (31 December 2015: A+) from Standard & Poor's. Northern Trust Company ("NTCO") is also wholly owned by NTC. NTCO has a credit rating of AA- (31 December 2015: AA-) from Standard & Poor's and Aa2 (31 December 2015: A1) from Moody's.

All of the cash assets are held with The Northern Trust Company (London Branch) ("NTCL").

As at 31 December 2016, the Alternative Strategy Collection had a cash balance representing less than 10% of the Net Assets of the Sub-Fund and the Mediolanum High Volatility Fund Side Pocket had a cash balance representing 40% of Net Assets of the Sub-Fund.

As at 31 December 2015, the Alternative Strategy Collection had a cash balance representing less than 10% of the Net Assets of the Sub-Fund and the Mediolanum High Volatility Fund side Pocket had a cash balance representing 43% of Net Assets of the Sub-Fund.

5. Redeemable Participating Units

	Alternative Strategy Collection 31 Dec 2016	Alternative Strategy Collection 31 Dec 2015	Mediolanum High Volatility Fund 31 Dec 2016	Mediolanum High Volatility Fund 31 Dec 2015
<i><u>Participating units in issue</u></i>				
<i><u>Class SA Euro Units</u></i>				
At the beginning of the year	7,272,195	9,334,796	-	-
Units issued	66,855	-	-	-
Units redeemed	(377,547)	(2,062,601)	-	-
Units at the end of the year	6,961,503	7,272,195	-	-
<i><u>Class SB Euro Units</u></i>				
At the beginning of the year	4,840,206	7,022,763	-	-
Units issued	-	-	-	-
Units redeemed	(2,632,737)	(2,182,557)	-	-
Units at the end of the year	2,207,469	4,840,206	-	-
<i><u>Side Pocket SP Units</u></i>				
At the beginning of the year	-	-	51,853	405,849
Units issued	-	-	-	-
Units redeemed	-	-	-	(353,996)
Units at the end of the year	-	-	51,853	51,853

Units of each Sub-Fund are all freely transferable, designated as 'A' or 'B' units and, subject to such designation, are all entitled to participate equally in the profits and distributions (if any) of that Sub-Fund and in its assets in the event of termination. The Units, which are of no par value and which must be fully paid for upon issue, carry no preferential or pre-emptive rights. Fractions of Units may be issued up to three decimal places.

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2016

5. Redeemable Participating Units (continued)

Units of the Mediolanum High Volatility Fund Side Pocket may only be redeemed once sufficient liquidity has been raised from the underlying security. Due to the current illiquid nature of the underlying security in the Side Pocket, investors should note that it may potentially be several years before this security becomes liquid. The fair value of the security held in the Side Pocket may differ to its actual realisable value. As a result there can be no assurances that Unitholders will not experience substantial or complete losses upon the disposition of the investment.

A Unit in a Sub-Fund represents the beneficial ownership of one undivided unit in the assets of the relevant Sub-Fund attributable to the relevant Class.

The Trust is made up of the two Sub-Funds, each Sub-Fund being a single pool of assets, one being a Side Pocket. The Manager may, whether on the establishment of a Sub-Fund or from time to time, create more than one Class of Units in a Sub-Fund to which different levels of subscription fees and expenses (including the management fee), minimum holding, designated currency, hedging strategy (if any) applied to the designated currency of the Class, distribution policy, minimum subscription and such other features as the Manager may determine may be applicable. Creation of further Classes in a Sub-Fund must be notified in advance to the Central Bank. A separate pool of assets will not be maintained for each Class. Units shall be issued to investors as Units in a Class.

The net assets attributable to holders of redeemable participating units are at all times equal to the net asset value of the Sub-Fund. The participating units are in substance a liability of the Sub-Fund to Unitholders under FRS 102 as they can be redeemed at the option of the Unitholder.

6. Sundry Receivables and Prepayments

	Alternative Strategy Collection 31 Dec 2016 EUR €	Alternative Strategy Collection 31 Dec 2015 EUR €	Mediolanum High Volatility Fund 31 Dec 2016 EUR €	Mediolanum High Volatility Fund 31 Dec 2015 EUR €	Total 31 Dec 2016 EUR €	Total 31 Dec 2015 EUR €
Management fee rebate from investments	24,357	43,534	-	-	24,357	43,534
Receivable for sale of investments	837,301	654,329	-	-	837,301	654,329
Prefunded trades	-	1,500,000	-	-	-	1,500,000
	861,658	2,197,863	-	-	861,658	2,197,863

7. Sundry Payables and Accrued Expenses

	Alternative Strategy Collection 31 Dec 2016 EUR €	Alternative Strategy Collection 31 Dec 2015 EUR €	Mediolanum High Volatility Fund 31 Dec 2016 EUR €	Mediolanum High Volatility Fund 31 Dec 2015 EUR €	Total 31 Dec 2016 EUR €	Total 31 Dec 2015 EUR €
Legal fees payable	8,710	26,758	86	3,334	8,796	30,092
Payable for purchase of investments	4,000,000	-	-	-	4,000,000	-
Other payables	18,950	537,666	132	1,451	19,082	539,117
	4,027,660	564,424	218	4,785	4,027,878	569,209

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2016

8. Distributions

The income and gains will be accumulated and reinvested in the Sub-Fund on behalf of Unitholders. The Manager may make distributions in respect of “SB” units out of that proportion of the Net Asset value of the Sub-Fund attributable to “SB” Units. No distributions were paid to Class “SB” Unitholders for the financial year ended 31 December 2016 and 31 December 2015 for the Alternative Strategy Collection. There was no distribution declared for the financial year ending 31 December 2016 (31 December 2015: €2,550,000), for the Mediolanum High Volatility Side Pocket.

9. Derivatives and Other Financial Instruments

A Sub-Fund may invest in collective investment schemes ("underlying schemes") which are unregulated and which will not provide a level of investor protection equivalent to funds authorised by the Central Bank of Ireland.

Risks for the Sub-Funds arise both directly from the investment in financial instruments and indirectly from investing in underlying schemes. Therefore all risks listed below may arise not only at Sub-Fund level but also at the underlying scheme level.

The Trust is exposed to a variety of financial risks in pursuing its stated investment objective and policy. These risks are defined in FRS 102 as market risk (which in turn includes price risk, foreign currency risk, and interest rate risk), liquidity risk and credit risk. The Trust takes exposure to these risks to generate investment returns on its portfolio, although these risks can also potentially result in a reduction in the Trust's net assets. The Investment Manager will use its best endeavors to minimise the potentially adverse effects of these risks on the Trust's performance where it can do so while still managing the investments of the Trust in a way that is consistent with the Trust's investment objective and policy.

The risks, and the measures adopted by the Trust for managing these risks, are detailed as follows:

Market price risk

Market price risk is defined in FRS 102 as the risk that the fair value of a financial instrument or its future cash flows will fluctuate because of changes in market prices.

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the relevant Sub-Fund might suffer through holding market positions in the face of price movements. The Investment Manager and the Delegate Investment Manager consider the asset allocation of the portfolio of invested funds in order to minimise the risk associated with particular countries to follow the relevant Sub-Fund's investment objective. The fair value of the non-listed collective investment schemes in funds are valued on the basis of the latest available unaudited net asset value provided by the relevant fund manager or independent administrators.

If the price of each of the securities and derivatives to which the Mediolanum High Volatility Fund Side Pocket had exposure to at 31 December 2016 had increased by 5%, with all other variables held constant, this would have increased net assets attributable to holders of redeemable participating units of the Mediolanum High Volatility Fund Side Pocket by approximately €15,363 (31 December 2015: €12,524) and on a per unit basis by €0.30 (31 December 2015: €0.24). Conversely, if the price of each of the securities to which the Mediolanum High Volatility Fund Side Pocket had exposure had decreased by 5%, this would have decreased net assets attributable to holders of redeemable participating units of the Mediolanum High Volatility Fund Side Pocket by €15,363 (31 December 2015: €12,524) and on a per unit basis by €0.30 (31 December 2015: €0.24).

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued) For the financial year ended 31 December 2016

9. Derivatives and Other Financial Instruments (continued)

Market price risk (continued)

If the price of each of the securities and derivatives to which the Mediolanum Alternative Strategy Collection had exposure to at 31 December 2016 had increased by 5%, with all other variables held constant, this would have increased net assets attributable to holders of redeemable participating units of the Mediolanum Alternative Strategy Collection by approximately €4,492,235 (31 December 2015: €5,830,987) and on a per unit basis by €0.49 (31 December 2015: €0.48). Conversely, if the price of each of the securities and derivatives to which the Mediolanum Alternative Strategy Collection had exposure had decreased by 5%, this would have decreased net assets attributable to holders of redeemable participating units of the Mediolanum Alternative Strategy Collection by €4,492,235 (31 December 2015: €5,830,987) and on a per unit basis by €0.49 (31 December 2015: €0.48).

Credit risk

Credit risk is defined in FRS 102 as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Financial assets which potentially expose the relevant Sub-Fund to credit risk consist principally of investments and cash balances held with the Depositary. The extent of the relevant Sub-Fund's exposure to credit risk in respect of these financial assets approximates their carrying value as recorded in the relevant Sub-Fund's balance sheet. The relevant Sub-Fund will be exposed to a credit risk on parties with whom it trades and will also bear the risk of settlement default. Credit risk exposure can also arise indirectly through the investment in financial instruments at the underlying fund level. Such risk is to a certain extent diversified away by investing in number of underlying funds that can be diversified in terms of investment style, asset selection, geographic allocation etc.

It is important to note that by investing in underlying funds that can have brokerage and custody accounts that are not segregated; the Sub-Funds can be indirectly exposed to additional credit and custody risks.

Substantially all of the cash assets are held with The Northern Trust Company, ("TNTC"). Cash deposited with TNTC is deposited as banker and is held on its Statement of Financial position. Accordingly, in accordance with usual banking practice, the Bank's liability to the Sub-Fund in respect of such cash deposits shall be that of debtor and the Sub-Fund will rank as a general creditor of TNTC. The financial instruments held in custody are held with the Depositary, Northern Trust Fiduciary Services (Ireland) Limited. These assets are held distinct and separately from the proprietary assets of the Depositary. Securities are clearly recorded to ensure they are held on behalf of the Sub-Fund. Bankruptcy or insolvency of the Depositary and or one of its agents or affiliates may cause the Sub-Fund's rights with respect to the securities held by the Depositary to be delayed. Both Northern Trust Fiduciary Services (Ireland) Limited and The Northern Trust Company, are wholly owned subsidiaries of Northern Trust Corporation.

As at 31 December 2016 Northern Trust Corporation had a long term rating from Standard & Poor's of A+ (2015: A+).

Risk is managed by monitoring the credit quality and financial positions of the Depositary the Sub-Fund uses. Northern Trust acts as its own sub-custodian in the U.S., the U.K., Ireland and Canada. In all other markets Northern Trust appoints a local sub-custodian. Northern Trust continually reviews its sub-custodian network to ensure clients have access to the most efficient, creditworthy and cost-effective provider in each market.

There were no significant concentrations of credit risk to counterparties for the financial year ended 31 December 2016 or 31 December 2015 other than to the NTCL.

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2016

9. Derivatives and Other Financial Instruments (continued)

Foreign currency risk

Currency risk is defined in FRS 102 as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Trust is exposed to currency risk as assets and liabilities of the Trust may be denominated in a currency other than the functional currency of the Trust, which is its functional and presentation currency, the Euro.

The underlying collective investment schemes may invest in a variety of securities denominated in both USD and foreign currencies and accordingly the Sub-Funds may be indirectly exposed to currency risk. The underlying funds may not necessarily hedge such foreign currency.

The relevant Sub-Fund invests in securities denominated in currencies other than its reporting currency EUR. Consequently, the relevant Sub-Fund is exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner which has an adverse effect on the value of that portion of the relevant Sub-Fund's assets or units which are denominated in currencies other than its own currency. The Investment Manager and the Delegate Investment Manager may follow a policy of hedging its foreign currency exposure of the portfolio into Euro in order to limit the risk of this exposure.

The foreign currency risk listed below is substantially made up of foreign currency denominated securities. A positive balance represents a net asset foreign currency exposure while a negative balance represents a net liability foreign currency exposure. As at 31 December 2016 and 31 December 2015 the total exposure to foreign currency risk was as follows:

	Alternative Strategy Collection 31 Dec 2016 EUR €	Alternative Strategy Collection 31 Dec 2015 EUR €	Mediolanum High Volatility Fund 31 Dec 2016 EUR €	Mediolanum High Volatility Fund 31 Dec 2015 EUR €	Total 31 Dec 2016 EUR €	Total 31 Dec 2015 EUR €
USD	41,489	350,814	-	26,999	41,489	377,813
	41,489	350,814	-	26,999	41,489	377,813

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued) **For the financial year ended 31 December 2016**

9. Derivatives and Other Financial Instruments (continued)

Foreign currency risk (continued)

The currency exposure of the Alternative Strategy Collection as at 31 December 2016 and 31 December 2015 is as follows:

Alternative Strategy Collection

	Foreign Currency Monetary Assets EUR €	Foreign Currency Monetary Liabilities EUR €	Net Foreign Currency Monetary Assets/Liabilities EUR €	Sensitivity * EUR €
As at 31 December 2016				
USD	21,086,040	(21,044,552)	41,489	2,074
	<u>21,086,040</u>	<u>(21,044,552)</u>	<u>41,489</u>	<u>2,074</u>
	Foreign Currency Monetary Assets EUR €	Foreign Currency Monetary Liabilities EUR €	Net Foreign Currency Monetary Assets/Liabilities EUR €	Sensitivity * EUR €
As at 31 December 2015				
USD	36,836,800	(36,485,986)	350,814	17,541
	<u>36,836,800</u>	<u>(36,485,986)</u>	<u>350,814</u>	<u>17,541</u>

*The effect of a 5% increase/decrease in the exchange rate between the Euro and the other currencies to which the Sub-Fund is exposed with all other variables held constant.

The Mediolanum High Volatility Fund did not have any currency exposure as at 31 December 2016.

The currency exposure of the Mediolanum High Volatility Fund as at 31 December 2015 was as follows:

	Foreign Currency Monetary Assets EUR €	Foreign Currency Monetary Liabilities EUR €	Net Foreign Currency Monetary Assets/Liabilities EUR €	Sensitivity * EUR €
As at 31 December 2015				
USD	26,999	-	26,999	1,350
	<u>26,999</u>	<u>-</u>	<u>26,999</u>	<u>1,350</u>

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2016

9. Derivatives and Other Financial Instruments (continued)

Foreign currency risk (continued)

Foreign currency forward exchange contracts

As at 31 December 2016 and 31 December 2015 the Mediolanum High Volatility Fund Side Pocket held no foreign currency forward exchange contracts.

As at 31 December 2016 and 31 December 2015 the Alternative Strategy Collection held the following foreign currency forward exchange contracts:

Alternative Strategy Collection

31 December 2016

Purchase	Amount	Sale	Amount	Maturity date	Value
Currency		Currency			EUR €
EUR	460,299	USD	480,000	31/01/2017	5,896
EUR	20,480,997	USD	21,750,000	31/01/2017	(109,151)
					(103,255)

31 December 2015

Purchase	Amount	Sale	Amount	Maturity date	Value
Currency		Currency			EUR €
EUR	8,001,427	USD	8,520,000	29/02/2016	169,495
EUR	27,230,681	USD	29,850,000	31/03/2016	(185,987)
EUR	1,213,954	USD	1,345,000	29/01/2016	(23,432)
					(39,924)

Liquidity risk

Liquidity risk is defined in FRS 102 as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Under certain circumstances the markets in which the portfolios of each Sub-Fund will trade may become illiquid making it difficult to acquire or sell contracts at the price quoted on different markets. Many of the schemes in which the portfolios shall invest do not provide for frequent redemptions. Accordingly, the portfolios ability to respond to market movements may be impaired, and the portfolios may experience adverse price movements upon liquidation of its investments.

At the 31 December 2016 and 31 December 2015, the Trust was advised of the following investments in collective investment schemes which may be illiquid and subject to restrictions on redemptions.

	Total	% of	Total	% of
	EUR €	NAV	EUR €	NAV
	31 Dec 2016	31 Dec 2016	31 Dec 2015	31 Dec 2015
Mediolanum High Volatility Fund Side Pocket				
Investments in side pocket shares	307,268	70.11	250,485	71.12
	<u>307,268</u>	<u>70.11</u>	<u>250,485</u>	<u>71.12</u>

There were no suspended/gated redemptions or investments in side pockets in the Alternative Strategy Collection as at 31 December 2016 or 31 December 2015 except for Kingate which was written down to zero on 30 November 2009 (please see the Schedule of Investments on page 9).

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2016

9. Derivatives and Other Financial Instruments (continued)

Interest rate risk

Interest rate risk is defined in FRS 102 as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Interest rate risk in the Sub-Funds arose from cash balances that were held and fixed income securities that were held in the Alternative Strategy Collection and the Mediolanum High Volatility Side Pocket Sub-Funds.

The majority of the Sub-Fund's financial assets and liabilities were non-interest bearing and as a result the Sub-Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents of the Sub-Funds were invested at short-term market interest rates.

Layering of fees

The Sub-Funds' portfolios are subject to a level of fees payable both directly by the portfolios and by the portfolios as an investor in other schemes.

Fair value hierarchy

Inputs are used in applying the various valuation techniques and broadly refer to the assumption that market participants use to make valuation decisions including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's levels with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement (lowest being level 3).

Observable Inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Trust. Unobservable inputs reflect the AIFM's assumptions, made in good faith about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The determination of what constitutes "observable" requires significant judgment by the AIFM. The AIFM considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable not proprietary, and provided by independent sources that are actively involved in the relevant market.

The categorisation of financial instruments within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the AIFM's perceived risk for this instrument.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the AIFM's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The AIFM uses prices and inputs that are current as of the measurement date including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

The three levels of inputs are defined as follows:

Level 1 – The unadjusted quoted price in active markets for identical assets or liabilities that the entity can access at the measurement;

Level 2 – Inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability.

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2016

9. Derivatives and Other Financial Instruments (continued)

Fair value hierarchy (continued)

The Financial Reporting Council recently issued an amendment to FRS 102 fair value hierarchy disclosure which aligns with IFRS 13 Fair Value Measurement effective for accounting periods on or after 1 January 2017 with early application permitted. The Trust has elected to apply the amendment for these financial statements.

Alternative Strategy Collection	Level 1	Level 2	Level 3	Total
As at 31 December 2016	EUR €	EUR €	EUR €	EUR €

Financial Assets at fair value through Profit or Loss

Collective Investment Schemes	-	82,217,208	7,730,756	89,947,964
Open forward currency contracts	-	5,896	-	5,896
	-	82,223,104	7,730,756	89,953,860

Financial Liabilities at fair value through Profit or Loss

Open forward currency contracts	-	(109,151)	-	(109,151)
	-	(109,151)	-	(109,151)

Alternative Strategy Collection	Level 1	Level 2	Level 3	Total
As at 31 December 2015	EUR €	EUR €	EUR €	EUR €

Financial Assets at fair value through Profit or Loss

Collective Investment Schemes	-	92,450,319	24,209,344	116,659,663
Open forward currency contracts	-	169,495	-	169,495
	-	92,619,814	24,209,344	116,829,158

Financial Liabilities at fair value through Profit or Loss

Open forward currency contracts	-	(209,419)	-	(209,419)
	-	(209,419)	-	(209,419)

Mediolanum High Volatility Fund	Level 1	Level 2	Level 3	Total
As at 31 December 2016	EUR €	EUR €	EUR €	EUR €

Financial Assets at fair value through Profit or Loss

Collective Investment Schemes	-	-	307,268	307,268
	-	-	307,268	307,268

Mediolanum High Volatility Fund	Level 1	Level 2	Level 3	Total
As at 31 December 2015	EUR €	EUR €	EUR €	EUR €

Financial Assets at fair value through Profit or Loss

Collective Investment Schemes	-	-	250,485	250,485
	-	-	250,485	250,485

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2016

9. Derivatives and Other Financial Instruments (continued)

The following table shows the movement in Level 3 investments during the year:

Alternative Strategy Collection						
31 December 2016						
	Beginning	Realised	Unrealised	Transfers	Purchases,	
	Balance	gains	gains	between	sales, other	Ending
		or losses	or losses	level 2	instruments	Balance
Assets	EUR€	EUR€	EUR€	and 3	net	EUR€
Collective Investment Schemes	24,209,344	(819,719)	(795,560)	(3,137,016)	(11,726,293)	7,730,756
Total	24,209,344	(819,719)	(795,560)	(3,137,016)	(11,726,293)	7,730,756

31 December 2015						
	Beginning	Realised	Unrealised	Transfers	Purchases,	
	Balance	gains	gains	between	sales, other	Ending
		or losses	or losses	level 2	instruments	Balance
Assets	EUR€	EUR€	EUR€	and 3	net	EUR€
Collective Investment Schemes	27,245,318	1,086,330	150,879	-	(4,273,183)	24,209,344
Total	27,245,318	1,086,330	150,879	-	(4,273,183)	24,209,344

Mediolanum High Volatility Fund						
31 December 2016						
	Beginning	Realised	Unrealised	Transfers	Purchases,	
	Balance	gains	gains	between	sales, other	Ending
		or losses	or losses	level 2	instruments	Balance
Assets	EUR€	EUR€	EUR€	and 3	net	EUR€
Collective Investment Schemes	250,485	(5,411)	88,891	-	(26,697)	307,268
Total	250,485	(5,411)	88,891	-	(26,697)	307,268

31 December 2015						
	Beginning	Realised	Unrealised	Transfers	Purchases,	
	Balance	gains	gains	between	sales, other	Ending
		or losses	or losses	level 2	instruments	Balance
Assets	EUR€	EUR€	EUR€	and 3	net	EUR€
Collective Investment Schemes	1,624,742	898,252	(126,559)	-	(2,145,950)	250,485
Total	1,624,742	898,252	(126,559)	-	(2,145,950)	250,485

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued) For the financial year ended 31 December 2016

9. Derivatives and Other Financial Instruments (continued)

The Depositary is under a duty to hold in custody all financial instruments that may be registered in a financial instruments account opened in the depositary's books and all financial instruments that can be physically delivered to the depositary. The Depositary is required to ensure that all financial instruments that can be registered in a financial instruments account opened in the depositary's books are registered in the depositary's books within segregated accounts. For other assets, the Depositary shall verify the Company's ownership of such assets. The Depositary will maintain a record of the financial instruments entrusted to it and those assets for which it is satisfied that the Company holds the ownership. When the Depositary employs a sub-custodian the Depositary retains responsibility for the assets of the Sub-Fund.

However, it should be noted that not all jurisdictions have the same rules and regulations as Ireland regarding the custody of assets and the recognition of the interests of a beneficial owner such as a Sub-Fund. Therefore, in such jurisdictions, there is a risk that if a sub-custodian becomes bankrupt or insolvent, the Sub-Fund's beneficial ownership of the assets held by such sub-custodian may not be recognised and consequently the creditors of the sub-custodian may seek to have recourse to the assets of the Sub-Fund. In those jurisdictions where the Sub-Fund's beneficial ownership of its assets is ultimately recognised, the Sub-Fund may suffer delay and cost in recovering those assets. The Sub-Funds may invest in markets where custodial and/or settlement systems are not fully developed, therefore the assets of a Sub-Fund which are traded in such markets and which have been entrusted to sub-custodians, in circumstances where the use of such sub-custodians is necessary, may be exposed to risk. The Depositary shall maintain an appropriate level of supervision over the sub-custodian and make appropriate enquiries from time to time to confirm that the obligations of the agent continue to be competently discharged.

10. Related Party Transactions

The Trust is constituted by means of a Trust Deed to which Mediolanum International Funds Limited is party, as Manager. Mediolanum Asset Management Limited was appointed as Investment Manager by way of an Investment Management agreement. The fees paid to these parties are outlined in Note 3.

Northern Trust Fiduciary Services (Ireland) Limited is the Depositary of the Trust and received the fees as outlined in Note 3. Northern Trust International Fund Administration Services (Ireland) Limited is the Administrator of the Trust and received the fees as outlined in Note 3.

The Directors, the AIFM, the Investment Manager, the Administrator and the Depositary and their respective affiliates, officers, directors and Unitholders, employees and agents (collectively the "Parties") are or may be involved in other financial, investment and professional activities which may on occasion cause a conflict of interest with the management of the Trust and/or their respective roles with respect to the Trust.

These activities may include managing or advising other funds (including other collective investment schemes), purchases and sales of securities, banking and investment management services, brokerage services, valuation of unlisted securities (in circumstances in which fees payable to the entity valuing such securities may increase as the value of assets increases) and serving as directors, officers, advisers or agents of other funds or companies, including funds or companies in which the Unit Trust may invest. In particular, the AIFM and other companies within the Mediolanum Group may be involved in advising or managing other investment funds (including other collective investment schemes) or other real estate portfolios which have similar or overlapping investment objectives to or with the Unit Trust. Subject to the next succeeding paragraphs, each of the Parties will use its reasonable endeavors to ensure that the performance of their respective duties will not be impaired by any such involvement they may have and that any conflicts which may arise will be resolved fairly and in the best interests of Unitholders.

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2016

10. Related Party Transactions (continued)

The underlying Unitholders in both Sub-Funds, Mediolanum International Life dac & Banca Mediolanum S.p.A are connected to the Investment Manager. As at 31 December 2016 Mediolanum International Life dac holds 100% (31 December 2015: 100%) of the Class SA units in the Alternative Strategy Collection & Banca Mediolanum S.p.A. holds 100% (31 December 2015: 100%) of the Class SB units in the Alternative Strategy Collection. Mediolanum International Life dac holds 100% (31 December 2015: 100%) of the Class SA units in the Mediolanum High Volatility Fund Side Pocket and Banca Mediolanum S.p.A. holds 100% (31 December 2015: 100%) of the Class SB units in the Mediolanum High Volatility Fund Side Pocket.

Performance fees in relation to the Mediolanum High Volatility Fund Side Pocket have been waived by the Investment Manager.

Andrew Bates is a Partner at Dillon Eustace and sits on the Board of Directors of Mediolanum International Funds Limited in a non-executive capacity. During the year total legal fees paid to Dillon Eustace were €6,247 (31 December 2015: €947).

At 31 December 2016, Alternative Strategy Collection invested 11.01% of the Total Net Asset Value into funds managed by Tages Capital LLP, the Delegate Investment Manager.

11. Soft Commission Arrangements

There were no soft commission arrangements in operation during the year under review or as at 31 December 2015. Underlying Funds in which the Sub-Funds invest may engage in soft commission arrangements.

12. Exchange Rates

The following exchange rates were used to translate assets and liabilities into the reporting currency (Euro) at 31 December 2016 and 31 December 2015:

Currency	EUR € Rate	EUR € Rate
	31 Dec 2016	31 Dec 2015
USD	0.9481	0.9206

13. Changes in the Portfolio

A list, specifying for each investment the total purchases and sales which took place during the year under review may be obtained, upon request, at the registered office of the Manager.

14. Contingent Liabilities

There were no significant contingent liabilities at the Statement of Net Asset date. (There were no significant contingent liabilities as at 31 December 2015).

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued) **For the financial year ended 31 December 2016**

15. Net Asset Value

	Alternative Strategy Collection 31 Dec 2016 EUR €	Alternative Strategy Collection 31 Dec 2015 EUR €	Alternative Strategy Collection 31 Dec 2014 EUR €
Net assets attributable to holders of redeemable participating units:			
Class SA Euro Units (€)	68,942,141	73,648,656	93,141,389
Class SB Euro Units (€)	21,861,342	49,018,914	70,072,228
Number of redeemable participating units outstanding:			
Class SA Euro Units	6,961,503	7,272,195	9,334,796
Class SB Euro Units	2,207,469	4,840,206	7,022,763
Net assets value per redeemable participating unit:			
Class SA Euro Units (€)	€9.90	€10.13	€9.98
Class SB Euro Units (€)	€9.90	€10.13	€9.98
	Mediolanum High Volatility Fund 31 Dec 2016 EUR €	Mediolanum High Volatility Fund 31 Dec 2015 EUR €	Mediolanum High Volatility Fund 31 Dec 2014 EUR €
Net assets attributable to holders of redeemable participating units:			
Class SA Euro Units (€)	-	-	-
Class SB Euro Units (€)	-	-	-
Class SP Euro Units (€)	438,262	352,206	2,128,127
Number of redeemable participating units outstanding:			
Class SA Euro Units	-	-	-
Class SB Euro Units	-	-	-
Class SP Euro Units	51,853	51,853	405,849
Net assets value per redeemable participating unit:			
Class SA Euro Units (€)	-	-	-
Class SB Euro Units (€)	-	-	-
Class SP Euro Units (€)	€ 8.45	€ 6.79	€ 5.24

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued) **For the financial year ended 31 December 2016**

16. Realised and Unrealised Gains in Investments

	Alternative Strategy Collection	Mediolanum High Volatility Fund
	31 Dec 2016	31 Dec 2016
	EUR €	EUR €
Realised (loss)/gain on investments		
Realised gain on investments	6,842,627	-
Realised loss on investments	(2,236,248)	(5,411)
Realised loss on currency contracts and currency exchange	(452,636)	(631)
Total realised (loss)/gain on investments	4,153,743	(6,042)
Unrealised gain/(loss) on investments		
Movement in unrealised gain on investments	4,058,828	88,891
Movement in unrealised loss on investments	(8,952,995)	-
Unrealised gain/(loss) on currency contracts and currency exchange	(48,020)	565
Total unrealised gain/(loss) on investments	(4,942,187)	89,456
	Alternative Strategy Collection	Mediolanum High Volatility Fund
	31 Dec 2015	31 Dec 2015
	EUR €	EUR €
Realised gain on investments		
Realised gain on investments	11,507,219	913,282
Realised loss on investments	(669,840)	(200,229)
Realised gain/(loss) on currency contracts and currency exchange	(9,569,741)	49,012
Total realised gain on investments	1,267,638	762,065
Unrealised gain on investments		
Movement in unrealised gain on investments	9,863,603	58,640
Movement in unrealised loss on investments	(7,854,093)	-
Unrealised (loss)/gain on currency contracts and currency exchange	2,222,989	(21,115)
Total unrealised gain on investments	4,232,499	37,525

17. Efficient Portfolio Management Techniques

The Sub-Funds may employ investment techniques and instruments relating to its investments for the purpose of efficient portfolio management under the conditions and within the limits stipulated from time to time by the Central Bank. The Sub-Funds may use the various investment techniques and instruments for efficient portfolio management such as taking long or short positions in derivative instruments including forward contracts so as to alter the interest rates, credit and or currency exposure of the portfolio. Derivative instruments may be purchased for the purpose of efficient portfolio management only and in accordance with the Central Bank's guidelines. The Sub-Fund did use these techniques during the year. Details of foreign currency forward exchange contracts held at 31 December 2016 are disclosed on page 29. The realised and unrealised gain/ (loss) on foreign exchange contracts are disclosed in the Income Statement on page 14.

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2016

18. Changes to Directors of the Manager

Vittorio Gaudio resigned on 19 July 2016 as a Director of the Manager and Luigi Del Fabbro was appointed as a Director of the Manager on 8 February 2017. There were no other changes to the Directors of the Manager.

19. Significant Events During the Year

The Trust has a credit facility with The Northern Trust Company London Branch. This was reduced from €20m to €12m effective 27 February 2016.

20. Post Balance Sheet Events

The Trust has a credit facility with The Northern Trust Company London Branch. This was reduced from €12m to €9m effective 26 February 2017.

The Manager has declared a distribution of €195,000 on 29 March 2017, dealing date 2 May 2017, on the Mediolanum High Volatility Side Pocket. No other events have occurred subsequent to the year end which impact on the financial statements for the year ended 31 December 2016.

21. Approval of the Financial Statements

The financial statements were approved by the Directors of the Manager on 26 April 2017.

MEDIOLANUM FUND OF HEDGE FUNDS

FUND OF FUNDS DISCLOSURE (UNAUDITED)

Alternative Strategy Collection

Fund Name	Domicile	Management fee %	Incentive fee %
Alvento Long/Short Equity Fund Class F EUR 02/2016 Res	Cayman Islands	1.50%	20.00%
Alvento Long/Short Equity Fund Class F EUR 03/2016 Res	Cayman Islands	1.50%	20.00%
Alvento Long/Short Equity Fund Class F EUR 10/2015	Cayman Islands	1.50%	20.00%
Atreaus Overseas Fund Tranche Class A 06/2016	Cayman Islands	2.00%	20.00%
Atreaus Overseas Fund Tranche Class A 08/2016	Cayman Islands	2.00%	20.00%
GAM Talentum Enhanced Europe Long/Short A EUR Series Initial	Cayman Islands	1.50%	20.00%
Melqart Opportunities Fund Class B Series 1	Cayman Islands	2.00%	20.00%
MKM Longboat Multi Strategy Fund USD Class R*	Cayman Islands	2.00%	20.00%
New Peak Enhanced Fund Class BR EUR	Cayman Islands	2.00%	15.00%
Palmerston Credit Feeder Fund Founder EUR Series 11/2014	Cayman Islands	1.50%	15.00%
Pentwater Merger Arbitrage Fund A-R-V 06/2016	Cayman Islands	2.00%	20.00%
Pine River Liquid Rates Class C Series 1 11/2013	Cayman Islands	1.50%	23.00%
Rockhampton Fund Class A USD Restricted Series 2 08/2003	Cayman Islands	1.50%	20.00%
Ronit Global Opportunities Fund B Shares EUR NNI Series 1 11/2016	Cayman Islands	1.50%	18.00%
Ronit Global Opportunities UCITS EUR Institutional Class A Founder	Cayman Islands	2.00%	20.00%
Stone Milliner Macro Fund Class B EUR NNI - Series 1 09/2013	Cayman Islands	2.00%	20.00%
TT Mid-Cap Europe Long/Short Fund Class A EUR	Cayman Islands	1.50%	20.00%
Alpha UCITS - Amber Equity Fund Class A EUR	Luxembourg	1.50%	20.00%
Hellebore Credit Arbitrage Class B EUR	Luxembourg	1.00%	15.00%
Tages - Anavon Global Equity Long/Short UCITS Fund - Class S Eur	Luxembourg	1.25%	20.00%
Tages - Anavon Global Equity Long/Short UCITS Fund - Class E Eur	Luxembourg	1.00%	20.00%
Tages Fore UCITS Fund Class A EUR	Luxembourg	1.15%	10.00%
FundLogic Alternatives - Quantica Managed Futures UCITS Strategy Fund	Ireland	0.50%	15.00%
FundLogic Alternatives PLC - Market Neutral Credit UCITS Fund	Ireland	1.00%	15.00%
Sector Healthcare Fund Class A EUR 06/2016	Ireland	2.00%	20.00%
Kingate Global Fund - Vi**	British Virgin Islands	1.50%	0.00%

* Fair value of investment written down to zero on 30 November 2009

** In Voluntary Liquidation

MEDIOLANUM FUND OF HEDGE FUNDS**FUND OF FUNDS DISCLOSURE (UNAUDITED) (continued)****Mediolanum High Volatility Fund Side Pocket**

Fund Name	Domicile	Management fee %	Incentive fee %
GLG Emerging Markets Growth Fund Class E***	Cayman Islands	0.00%	0.00%

*** Investment in side pocket shares

MEDIOLANUM FUND OF HEDGE FUNDS

APPENDIX ADDITIONAL INFORMATION (UNAUDITED)

Leverage

Leverage is considered in terms of the Sub-Fund's overall "exposure" and includes any method by which the exposure of the Sub-Fund is increased whether through borrowings of cash or securities, or leverage embedded in derivative positions or by any other means. The Investment Manager as the AIFM is required to calculate and monitor the level of leverage by the Sub-Fund, expressed as a ratio between the total exposure of the Sub-Fund and its net value with exposure values being calculated by both the gross method and commitment method.

Exposure values under the Gross Method basis are calculated as the absolute value of all positions of the Sub-Fund; this includes all eligible assets and liabilities, relevant borrowings, derivatives (converted into their equivalent underlying positions) and all other positions even those held purely for risk reduction purposes, such as forward foreign exchange contracts held for currency hedging.

The gross method of exposure of the Sub-Fund requires the calculation to:

- Include the sums of all non-derivative assets held at market value, plus the absolute value of all such liabilities;
- Exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Company.
- Derivative instruments are converted into the equivalent position in their underlying assets;
- Exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;
- Include exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed, and include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements.

Exposure values under the Commitment Method basis are calculated on a similar basis to the above, but may take into account the effect of netting off instruments to reflect eligible netting and hedging arrangements on eligible assets and different treatment of certain cash and cash equivalents items in line with regulatory requirements.

The table sets out the maximum leverage for the Alternative Strategy Collection in 2016 and its leverage at the end of the year.

	Leverage as a percentage of net asset value	
	Gross Method	Commitment Method
Maximum leverage in 2016	131.18%	106.78%
Leverage at year end	123.68%	106.78%

MEDIOLANUM FUND OF HEDGE FUNDS

APPENDIX ADDITIONAL INFORMATION (UNAUDITED)

Special Arrangements

Mediolanum High Volatility Fund Side Pocket

70.11% (31 December 2015 71.12%) of the assets of the Sub-Fund are subject to suspended/gated redemption arrangements and 70.11% (31 December 2015: 71.12%) of the assets of the Sub-Fund are in side pocket shares (please see the schedule of investments on page 11).

Credit Facility

The Trust has a credit facility of up to €9m with the Northern Trust Company London Branch to fund short term liquidity requirements secured by a charge over the assets of the Alternative Strategy Collection. As at 31 December 2016 and 31 December 2015 the facility has not been used. The credit facility was reduced from €12m to 9m effective 24 February 2017.

Remuneration details for the AIFM's staff

The information provided below relates to the AIFM which has implemented a Remuneration Policy consistent with ESMA's remuneration guidelines and in particular the provisions of Annex II of Directive 2011/61/EU. The Remuneration Policy applies to all forms of benefits paid by the AIFM to Identified Staff, including senior management, staff whose professional activities have a material impact on the Company's risk profile, staff in control functions or any employees in same remuneration bracket of those whose professional activities have a material impact on the Company's risk profile or of the AIF it manages, in exchange for professional services and is intended to promote sound and effective risk management and does not encourage risk-taking inconsistent with the risk profile, rules or instruments of incorporation of the AIFs under management.

The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the relevant member of staff's rank and professional activity as well as best market practice. The AIFM may provide the opportunity to certain identified staff to receive variable remuneration based on the performance of the individual, of the AIFM and of the AIF's under management. Assessment of performance will consider both financial and non-financial factors. Particular consideration will be given to risk-related factors. The above will be considered in a multi-year framework.

No variable remuneration will be paid to any non-executive member of the Board of the AIFM. The fixed fee of the non-executive and independent Directors of the AIFM will be commercially negotiated. The non-executive directors from the Mediolanum Group do not receive a fee for their role as Directors on the MIFL Board of Directors.

The remuneration of the Managing Director is determined by the Managing Director of Banca Mediolanum S.p.A. having consulted with the Chairman of the AIFM. The fixed and variable elements of remuneration are in line with the principles listed above. In addition the Managing Director may receive other benefits such as those of an equity based nature provided by the Group subject to the appropriate approvals as set out in this policy and the deferral arrangements set out in the Group policy.

The Remuneration Policy is compliant with the relevant provisions of the Rules, including Schedule 2 of the Regulations, and the guidelines on sound remuneration policies under the AIFMD issued by the European Securities and Markets Authority (the "ESMA Guidelines").

MEDIOLANUM FUND OF HEDGE FUNDS

APPENDIX ADDITIONAL INFORMATION (UNAUDITED)

Remuneration details for the AIFM's staff (continued)

Application of the Principle of Proportionality

Taking into account its size, nature, the scope of its activities and its business model, the AIFM has disappplied the following requirements of the ESMA Guidelines:

- Variable remuneration in instruments and related retention guidelines;
- Deferral of Variable Remuneration;
- Requirement to establish a remuneration committee

Total remuneration paid to the staff of the AIFM fully or partly involved in the activities of the AIF that have a material impact on the risk profile of the Trust during the financial year to 31 December 2016:

Fixed remuneration	31 Dec 2016	31 Dec 2015
Senior Management	€855,750	€1,002,082

It should be noted that the above amounts have been estimated with care and in good faith giving due consideration to the cross-functional activities carried out by employees of the AIFM, the proportional activities related to the AIF in relation to the overall activities of the AIFM and the proportion of AIF assets managed by the AIFM in relation to the overall Assets Managed by the AIFM

Mediolanum Asset Management Ltd has been appointed as the Investment Manager to the Trust and is an investment firm authorised by the Central Bank pursuant to the European Communities (Markets and Financial Instruments Regulations 2007). The Investment Manager has remuneration policies and practices which apply to its staff whose professional activities might have a material impact on the Trust's risk profile and so covers senior management, risk takers, control functions and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers and whose professional activities have a material impact on the risk profile of the Trust's ("Identified Staff") which it believes are: (i) consistent with and promote sound and effective risk management and do not encourage risk-taking which is inconsistent with the investment objectives and policies and the investment restrictions and (ii) appropriate to the size, internal organisation and the nature, scope and complexity of the Investment Manager's activities.

The current remuneration practices of the Investment Manager provide that variable remuneration is paid to the Identified Staff of the Investment Manager based, among other things, on the overall performance of the Investment Manager's group, the overall performance of the Investment Manager and the relevant individual's overall contributions to that performance. When assessing individual performance, financial as well as non-financial criteria are taken into account and, upon such assessment, the performance attributed to an individual may be adjusted when determined to be appropriate having regard to a variety of factors including where it is believed by the Investment Manager that such adjustment does not encourage risk-taking which is inconsistent with the investment objectives and policies and the investment restrictions of the Trust. The discretionary process for allocating variable remuneration takes a variety of factors into account. For investment professionals at a senior level, the performance (both overall and year to year) of the funds for which they have responsibility is a key consideration.

The Investment Manager (i) does not pay guaranteed variable remuneration to the staff responsible for managing the assets of the Trust (ii) no payments will be made related to the termination of an employment contract that are exclusively based on the relevant individual's performance in relation to the Trust. The total number of Identified Staff of the Investment Manager as at 31 December 2016 is 13 (31 December 2015: 9).

MEDIOLANUM FUND OF HEDGE FUNDS

APPENDIX ADDITIONAL INFORMATION (UNAUDITED)

Remuneration details for the AIFM's staff (continued)

The Investment Manager's pay to Identified Staff relates to all funds which the Identified Staff currently manage. The assets under management of the Investment Manager as at 31 December 2016 was €37.5 billion (31 December 2015 €34.2 billion) of which the Trust represents €90.6 million (31 December 2015 €122.6 million) (or 0.24% of total assets managed by the Identified Staff (31 December 2015 0.36%).

Cybersecurity Risk

Cybersecurity breaches may occur allowing an unauthorised party to gain access to assets of the Sub-Funds, Unitholder data, or proprietary information, or may cause the Company, the Investment Manager, the Distributor, the Administrator or the Depositary to suffer data corruption or lose operational functionality.

The Sub-Funds may be affected by intentional cybersecurity breaches which include unauthorised access to systems, networks, or devices (such as through "hacking" activity); infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. In addition, unintentional incidents can occur, such as the inadvertent release of confidential information (possibly resulting in the violation of applicable privacy laws). A cybersecurity breach could result in the loss or theft of Unitholder data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system, or costs associated with system repairs. Such incidents could cause the Manager, the Investment Manager, the Distributor, the Administrator, the Depositary, or other service providers to incur regulatory penalties, reputational damage, additional compliance costs, or financial loss. Consequently, Unitholders may lose some or all of their invested capital. In addition, such incidents could affect issuers in which a Sub-Fund invests, and thereby cause a Sub-Fund's investments to lose value, as a result of which investors, including the relevant Sub-Fund and its Unitholders, could potentially lose all or a portion of their investment with that issuer.