SUSTAINABLE INVESTMENT: A MATTER OF PUBLIC INTEREST

2018 ANNUAL REPORT

FONDS DE RESERVE POUR LES RETRAITES

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FINANCIAL INFORMATION

MESSAGE FROM THE EXECUTIVE BOARD

ERIC LOMBARD
President
of the Executive Board

YVES CHEVALIER
Member
of the Executive Board

OLIVIER ROUSSEAU
Member
of the Executive Board

Global growth weakened progressively over 2018. Uncertainty mounted and practically all asset classes lost ground versus 2017, while volatility surged in periods of tension.

There were numerous conflicting forces.

The publication of stronger US wage growth figures at the end of January prompted inflation fears, which sharpened the rise in bond yields and triggered an initial equity market correction.

Risky assets rallied from March to May, but were stopped in their tracks by the escalation of Donald Trump's trade war not just with China, but also with the European Union and the United States' other partners.

The FRR's portfolio closed down 5.16%. Prudent management helped limit this decline.

As the year went on, economic data and leading indicators confirmed a dip in global growth, even as the US Federal Reserve continued its monetary policy normalisation with a gradual reduction of its balance sheet and four quarterly hikes in its funds rate.

After climbing steeply in the first half of the year, oil prices turned down in the fourth quarter, which the markets interpreted as a sign of slower world growth rather than the consequence of higher US shale gas output (due to deregulation in particular) or a relaxation of sanctions on Iran combined with higher Russian and Saudi production.

The slower pace of Chinese growth became increasingly visible in the export figures of emerging markets, Japan and the European Union. In Europe, the markets' gloom was compounded by the Italian government's confrontational stance towards EU authorities, and by chaotic Brexit discussions, which increased the likelihood of the United Kingdom leaving the European Union without a deal.

In the fourth quarter, fears about the rate of expansion spread to the United States where many commentators viewed a clear flattening of the yield curve as heralding an imminent recession.

Reflecting concerns about global growth, the value style suffered along with cyclical industrial and financial stocks.

Technology stocks were hit by fears for growth and doubts about the sustainability of the social media and targeted advertising model. Of the US FAANG stocks, Amazon followed the pattern of previous years but Facebook and even Apple fell sharply.

The FRR's portfolio closed down 5.16%. Prudent management helped limit this decline. Firstly, hedging investments were kept at 45% of total assets in April 2018, with liabilities more than covered (103% versus 89% in 2017). Secondly, the performance component's losses (-8%) were partially offset by the lower weight of unhedged equities in the strategic allocation for 2018 (-4 points, in favour of equities covered by options (two points) and high yield credit (two points)). Lastly, the introduction of interest rate hedges for investment grade corporate bonds in USD helped limit the hedging component's fall to -0.8%.

The FRR finished rolling out its programme to invest EUR 2 billion in unlisted assets to finance the French economy, with an investment of 720 million euros at the end of 2018.

2nd

The FRR ranked second among the 100 pension funds most heavily invested in combatting climate change

Named "Global Invest Sustainable Pension Fund of the Year" by Agefi on 11 October 2018

3

The FRR's expertise and work won three IPE Awards in 2018

KEY FIGURES

€32.6

BILLION

The FRR's assets at 31/12/2018

-5.16%

2018 performance net of charges

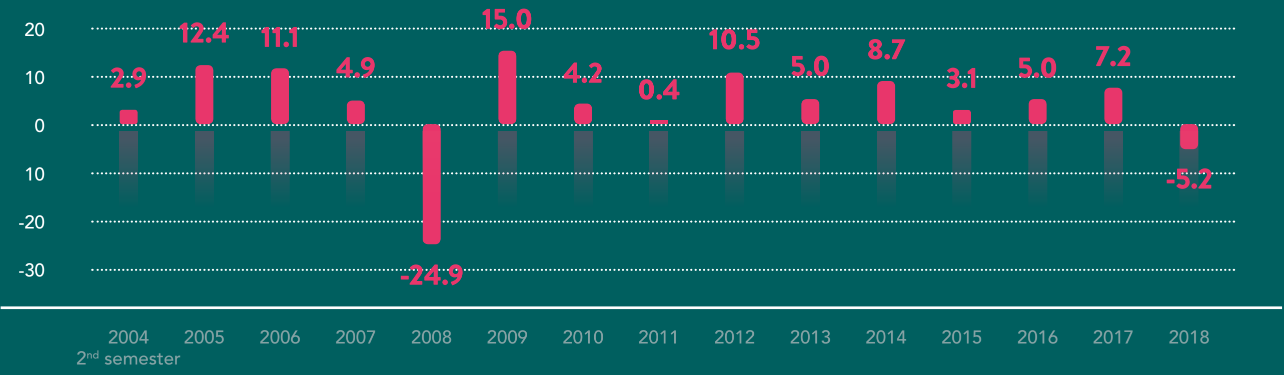
+3.7%

Annualised performance of assets since June 2004

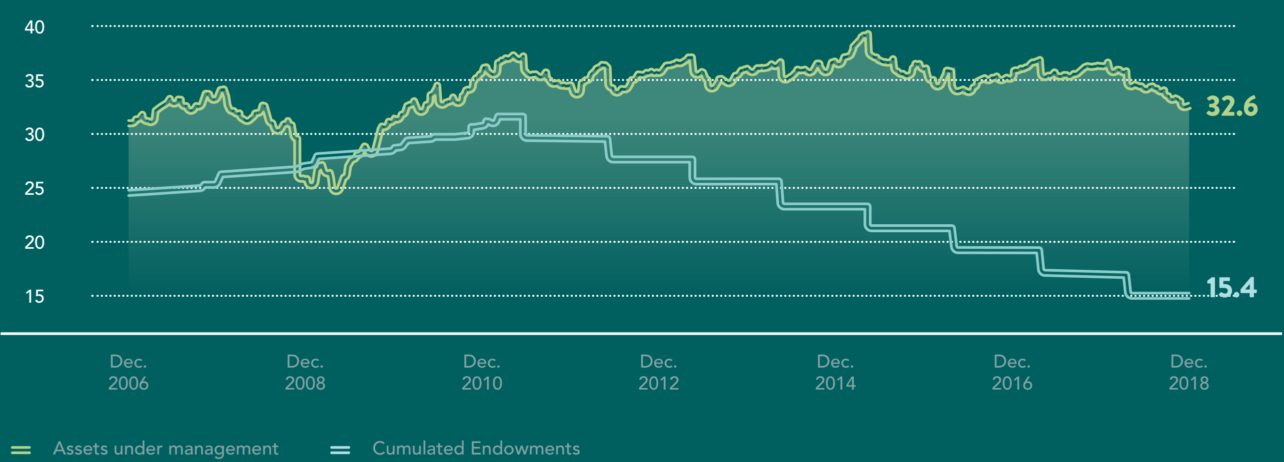
+4.2%

Annualised performance of assets since December 2010[1]

THE FRR'S NET ANNUAL PERFORMANCE (%)



CHANGES IN THE VALUE OF THE FRR'S NET ASSETS (31/12/2018) (IN BILLION EUROS)



1. Since the entry into force of the 2010 pensions reform, the FRR's financial model has changed substantially:
   - the FRR no longer receives new investments (EUR 1.5 to 2 billion a year up to 2010);
   - the FRR pays EUR 2.1 billion every year to the CADES.

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THE FRR IN ITS ECONOMIC ENVIRONMENT

MORE UNEVEN ECONOMIC PERFORMANCES AND A RESURGENCE OF RISKS

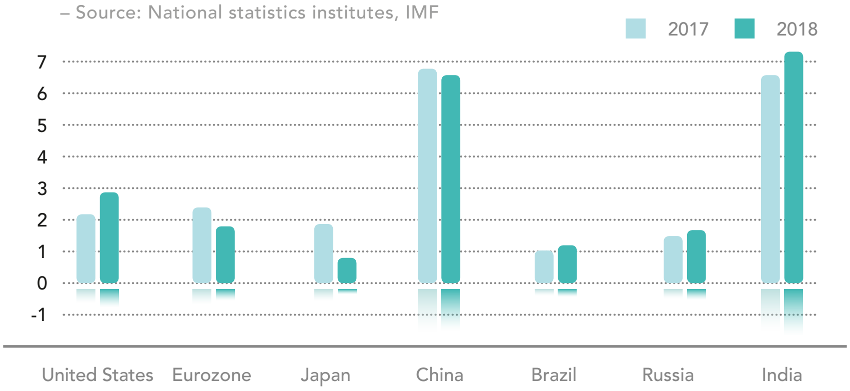
After accelerating briskly to 3.8% in 2017, global economic growth held firm in 2018 at 3.7% according to IMF estimates.

Developed economies grew by 2.3% as opposed to 2.4% in 2017, while emerging and developing economies enjoyed growth of 4.6%, against 4.7% a year earlier.

ANNUAL GDP GROWTH: WORLD, ADVANCED ECONOMIES, EMERGING AND DEVELOPING ECONOMIES (%) – Source: IMF

Despite this relative stability, the economic backdrop changed considerably. Global growth become less synchronised in 2018, suffering from widespread uncertainty due to trade tension between China and the United States, greater political risk in Europe (uncertainty over Brexit terms and the Italian government's economic programme) and geopolitical unrest in the Middle East (US sanctions against Iran, diplomatic friction between Turkey and the United States). Stronger growth in certain emerging economies (Brazil, Russia, India) and the United States, underpinned by fiscal stimulus and extensive tax reforms, contrasted with slower growth in the eurozone, Japan and China. The slowing of the global manufacturing cycle, which is the corollary of this more uneven growth pattern, coincided with a weakening of international trade. Trading of goods and services was up just 4.0% by volume in 2018, according to the IMF, compared with 5.3% the previous year.

ANNUAL GDP GROWTH IN 2017 AND 2018 (%)
– Source: National statistics institutes, IMF

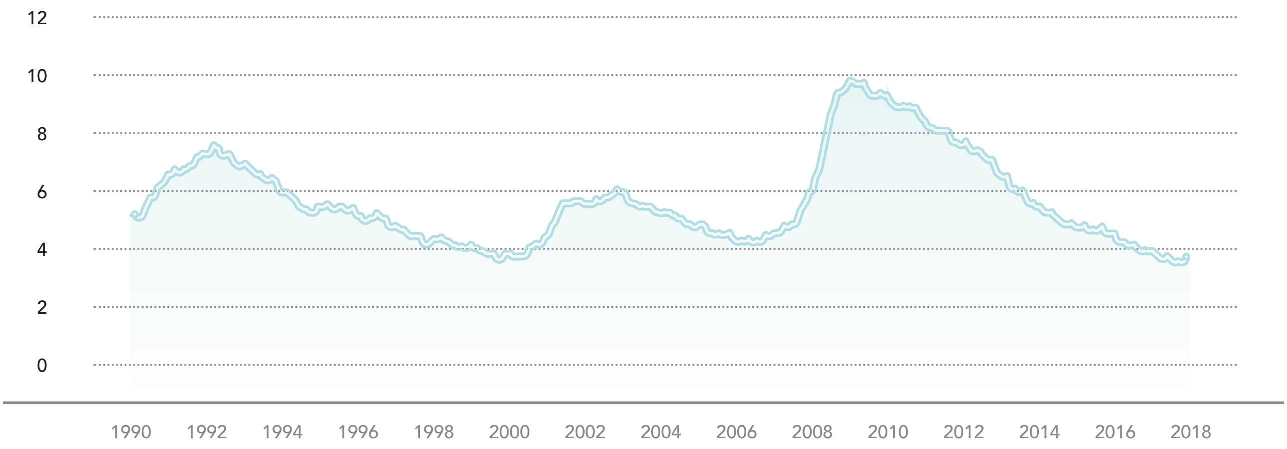


UNITED STATES

In the United States, highly accommodative budget and fiscal policy stretched out the growth cycle that began in the third quarter of 2009, pushing GDP growth up to 2.9% (from 2.2% in 2017). Public spending and corporate investment were the main drivers behind this spurt. Household consumption remained solid, while residential investment stagnated due to higher interest rates. The contribution from foreign trade to growth was slightly less negative in 2018, largely thanks to a more sustained improvement in goods exports.

Pushed to its limits by an economy outstripping its potential (estimated to be 1.8% by the IMF) and a newly positive output gap, the labour market created 2.6 million new jobs (net). The unemployment rate fell again, from an average of 4.4% in 2017 to 3.9% in 2018 – the lowest level seen since the early 2000s.

UNITED STATES: UNEMPLOYMENT RATE (%) – Source: US Bureau of Labor Statistics

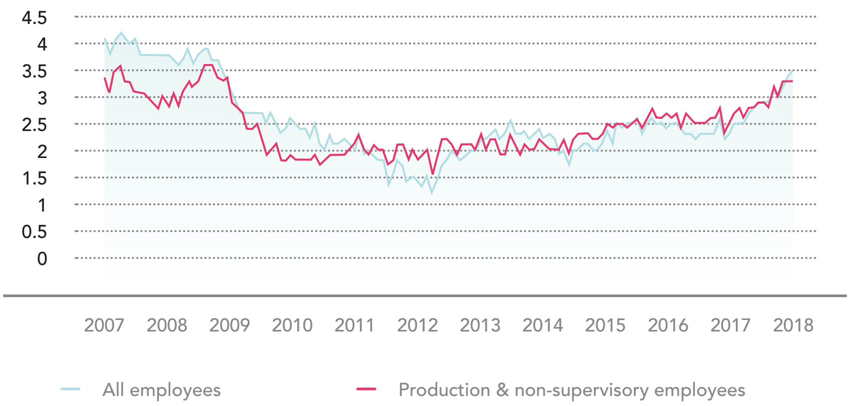


Against this backdrop, wages surged back up without showing any signs of overheating. The average hourly wage for production staff and non-managerial employees (more than 80% of private sector workers) increased by an average of 2.9% over 2018, without yet reaching the pre-crisis growth rate of nearly 4.0%. However, the publication of stronger-than-expected wage growth at the beginning of February shook the markets, which feared that the US Federal Reserve would speed up its interest rate normalisation process. This triggered a massive correction.

Wage growth was partly responsible for core inflation creeping up from 1.8% in 2017 to 2.1% in 2018. After bouncing back strongly in H1 2018, headline inflation then slipped as energy prices eased and the dollar recovered ground. Consumer prices rose by a total of 2.4% over the full year, compared with 2.1% in 2017.

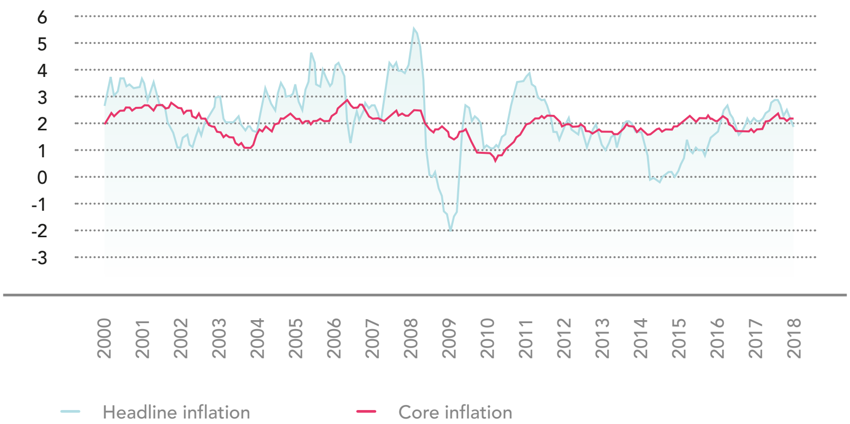
UNITED STATES: ANNUAL GROWTH RATE OF AVERAGE HOURLY EARNINGS IN THE PRIVATE SECTOR (%)

– Source: US Bureau of Labor Statistics



UNITED STATES: ANNUAL GROWTH RATE OF INFLATION (%)

– Source: US Bureau of Labor Statistics



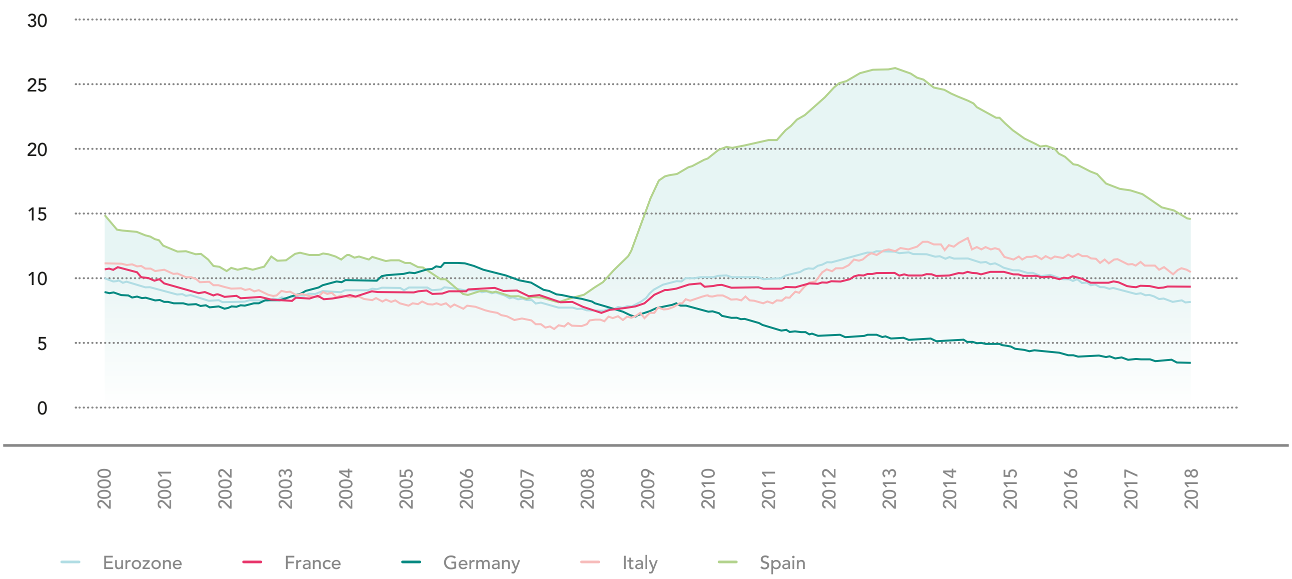
EUROZONE

After outpacing the United States in 2017, the eurozone grew at a more disappointing rate in 2018 (1.8%, down from 2.4% in 2017). The recovery was dulled by a series of unexpected temporary factors that affected the business climate, especially in industry: strikes in France and Germany at the beginning of the year, problems facing the German automotive industry, tighter financial conditions in Italy, and social unrest in France at the end of the year. The weakening of global demand and higher risk of protectionism saw exports lose momentum, explaining much of the slowdown in economic activity over 2018. Domestic demand suffered from a dip in consumer and government spending, while investment actually picked up.

The eurozone grew at a more disappointing rate in 2018 (1.8%, down from 2.4% in 2017).

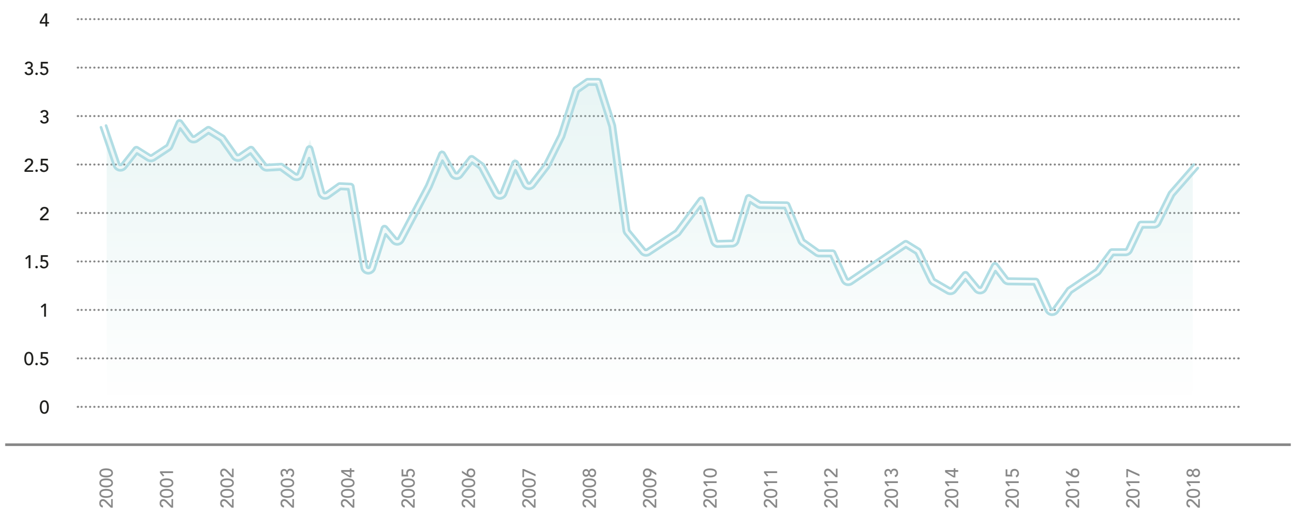
Unemployment continued to fall, albeit at a gentler pace given the slowing of activity. The rate dropped from 8.6% of the working population at the end of 2017 to 7.9% at the end of 2018. Of the eurozone's "big four", France stood out with an employment rate stuck at around 9.1% in 2018. Unemployment fell in Germany (-0.3 points to 3.3%), Italy (-0.6 points to 10.3%) and Spain (-2.2 points to 14.3%). Only Germany currently has an unemployment rate below its pre-crisis level. For the eurozone as a whole, the rate is still 0.6 points higher than the 7.3% trough reached at the beginning of 2008.

UNEMPLOYMENT RATES IN MAJOR EUROZONE ECONOMIES (%) – Source: Eurostat

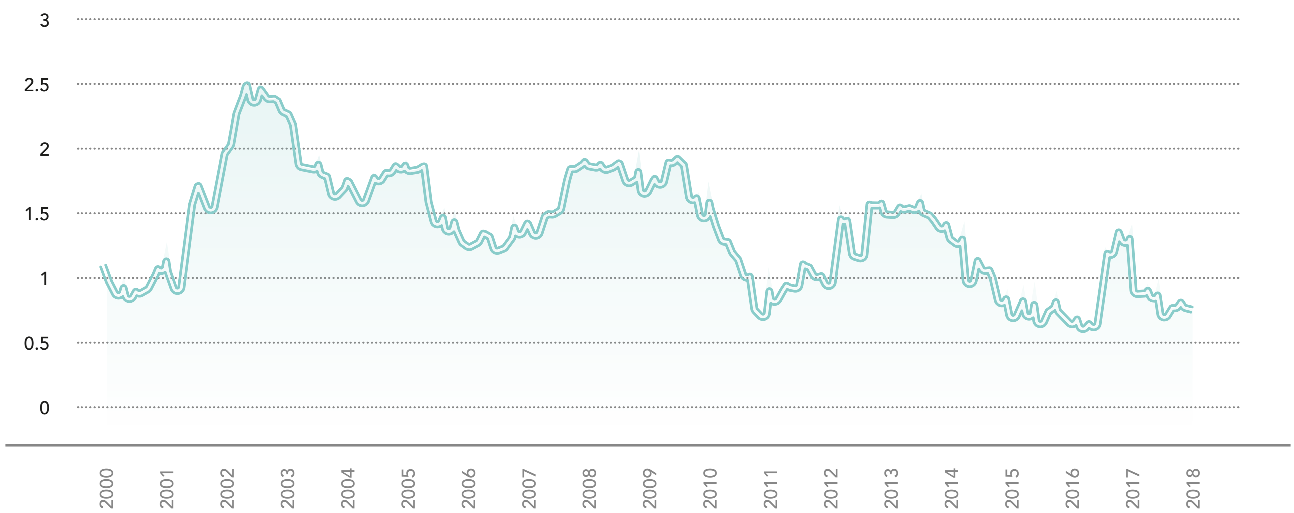


Wages rebounded strongly in 2018 (+2.2% averaged over the year, up from +1.6%), with less variation between growth rates in different eurozone countries. However, underlying inflation remained limited, staying close to 1% as it did in 2017.

EURO AREA: ANNUAL GROWTH RATE OF COMPENSATION OF EMPLOYEES (%)
– Source: European Central Bank



EURO AREA: ANNUAL RATE OF INFLATION LESS FOOD, ENERGY AND TOBACCO (%)
– Source: Eurostat



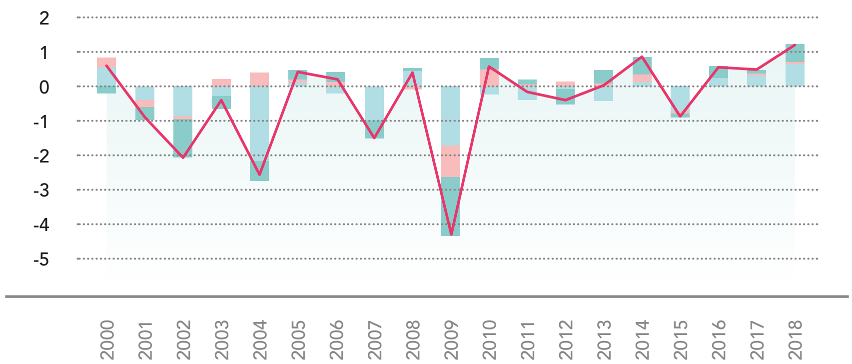
JAPAN

In Japan, the simultaneous slowing of domestic demand and foreign trade halved the pace of growth between 2017 and 2018 (0.8% after 1.9%). Quarterly growth patterns were again rather erratic, responding mainly to changes in household spending.

The contribution from foreign trade to growth was zero in 2018, down from 0.6 of a point in 2017. Japanese exports were particularly affected by reduced trade with China, and risks associated with the US-China trade war.

The tense labour market situation (2.4% unemployment) and wage support measures led to a sharper increase in nominal wages. In industry, the rise in average monthly pay (1.2% in 2018 vs 0.5% a year earlier) received more help from the readjustment to basic wages than in the past, although the weight of bonuses remained significant. Consumer price growth was nonetheless limited. Excluding volatile components (energy and fresh food), inflation remained close to 0.4% y/y.

JAPAN: ANNUAL GROWTH RATE OF MONTHY WAGE (%)
– Source: Ministry of Health, Labour and Social Affairs



Regular pay
Overtime pay
Special payments
Average monthly cash earnings

JAPAN: ANNUAL GROWTH RATE OF INFLATION (%) – Source: Bank of Japan

Headline inflation
Less fresh food
Less fresh food and energy

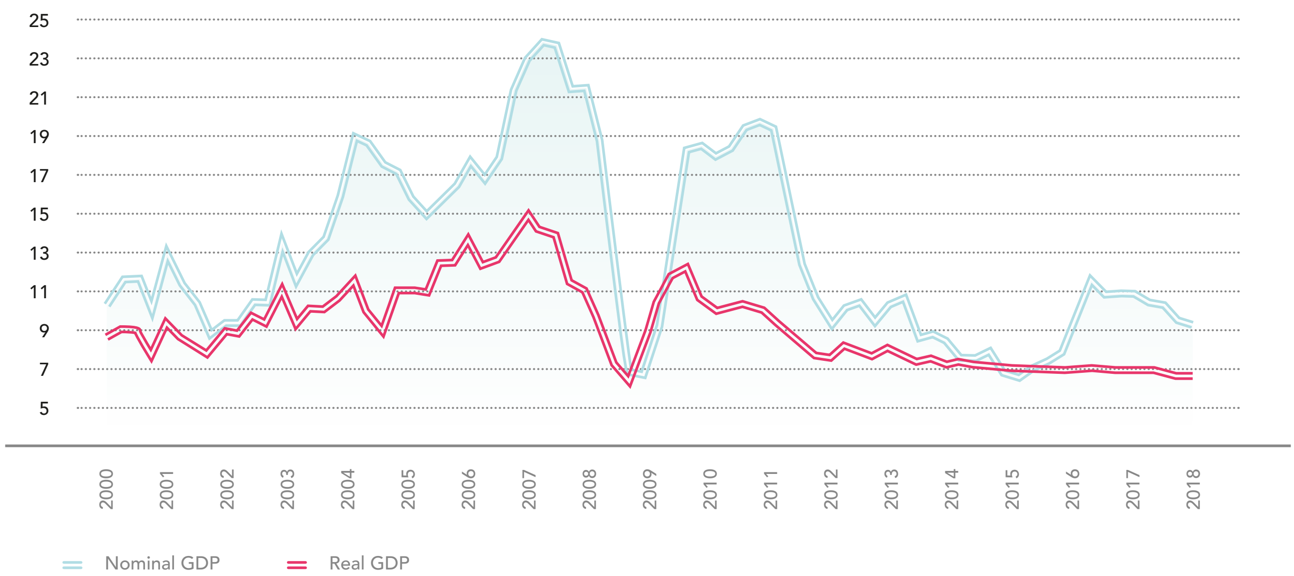
CHINA AND EMERGING COUNTRIES

Chinese growth started to slow again in 2018, first as a result of the authorities' efforts to contain debt-related risks, then in response to a weakening of foreign trade brought about by the dispute with the United States. China's GDP growth thus slipped from 6.8% y/y in Q1 2018 to 6.4% y/y in Q4.

Economic support measures targeting households and private businesses remained extensive. The priorities of financial stability and better-quality growth encouraged the Chinese government to build up more reserves for massive stimulus based on lending and infrastructure. That being the case, local authorities were able to increase their issuance of bonds to finance specific infrastructure projects. The People's Bank of China kept monetary conditions accommodative too.

Despite mixed economic conditions, emerging economies' growth held up well. Outside of China, the biggest emerging markets saw their growth return to normal. In India, the negative impact of demonetisation shocks and introduction of a general tax on goods and services was overcome, pushing GDP growth up to 7.3% (from 6.6% in 2017). Brazil and Russia managed to consolidate the recovery that followed the 2015-2016 recession, supported by higher oil and commodity prices. Growth reached 1.2% in Brazil (vs 1.1% in 2017) and 1.7% in Russia (vs 1.5%).

CHINA: ANNUAL GDP GROWTH RATE (%) – Source: National Bureau of Statistics of China



ONGOING MONETARY POLICY NORMALISATION

Developed countries' central banks continued to normalise their monetary policies, albeit at different speeds. The challenge lies in re-establishing some leeway before the next economic downturn without hurting current growth or creating financial instability through a swing in asset prices.

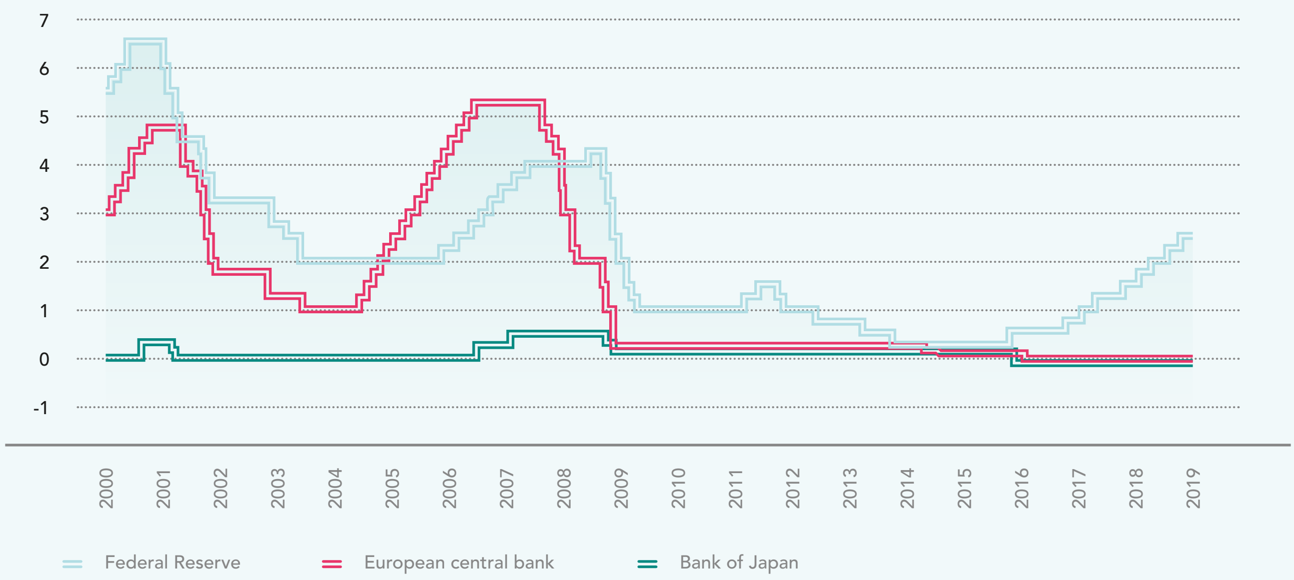
Furthest ahead in this process, the **US Federal Reserve** (Fed) raised its interest rates on four occasions and accelerated its balance sheet reduction. Its key interest rate was up to 2.25%-2.5% at the end of 2018, while the non-reinvestment ceiling was gradually lifted from USD 10 billion per month at the start of 2018 to USD 50 billion in October.

In June, the **European Central Bank** announced the termination of its asset purchase programme. Net buying was cut from EUR 30 billion per month to EUR 15 billion between October and December 2018, before being stopped in January 2019. However, the ECB promised not to raise its interest rates before the end of summer 2019, given the time that it will still take for inflation to settle at its medium-term target.

Unlike its US and European peers, the **Bank of Japan** is still a long way from contemplating an exit from its quantitative easing programme. It is maintaining its targeted interest rate strategy with a 10-year government bond yield target close to 0%. In reality, this policy has nonetheless enabled it to reduce the effective amount of its monthly purchases.

CENTRAL BANKS POLICY RATES: UNITED STATES, EURO AREA, JAPAN (%)

– Source: National central banks



PROTECTIONIST RISK SET THE MARKET TEMPO

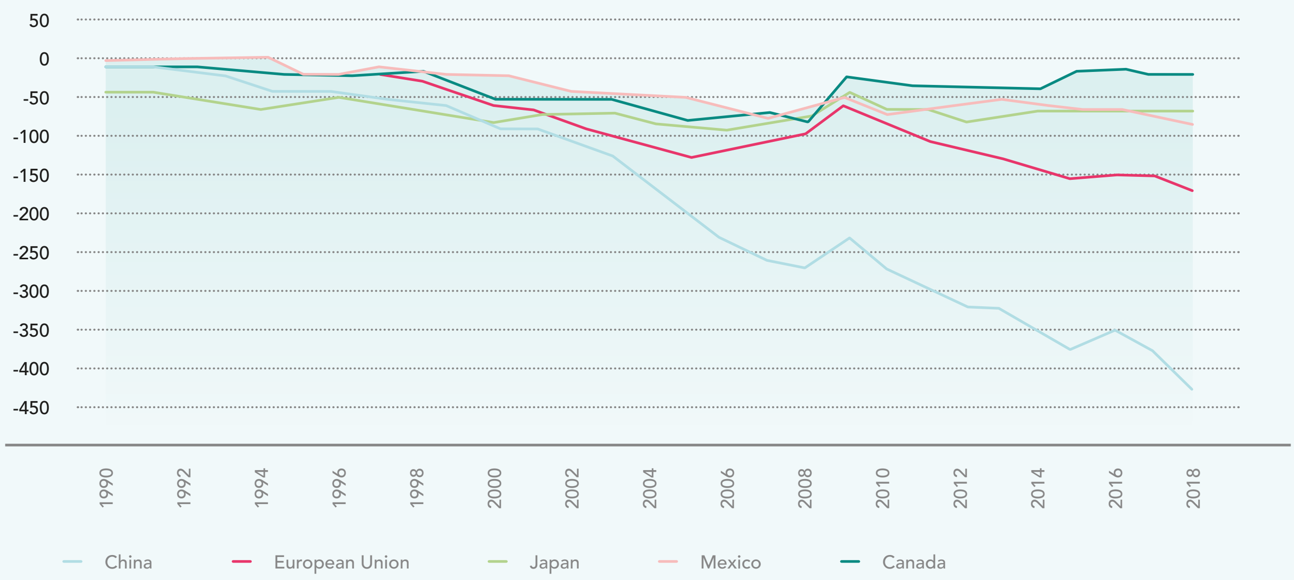
The Trump administration's extensive protectionist measures shook confidence in the global economy and destabilised the markets in 2018.

On the pretext of national security, in March the US government announced hikes in steel and aluminium import tariffs (10% and 25% respectively), plus a 25% tariff on USD 50 billion of imports of Chinese goods, along with a 10% rate on another USD 200 billion after China took retaliatory measures. There had been a possibility of this 10% rate being raised to 25% on 1 January 2019 before Donald Trump and Xi Jinping finally agreed on a 90-day truce after their meeting on 1 December 2018, on the fringe of the G20 summit in Buenos Aires. However, the United States remains determined to get China to make significant concessions on its trade and industry practices.

Behind the conflict between the two countries lies a highly uneven trading relationship. At USD 419.2 billion, the bilateral deficit with China accounts for nearly half of the US trade deficit (USD 878.7 billion in 2018, or 4.3% of GDP). The United States also expressed its growing concerns about China's industrial strategy ("Made in China 2025"), seeking to protect US technology and intellectual property from Chinese practices it deems unfair (e.g. forced transfer of technology, reverse engineering, patent infringement).

UNITED STATES: BILATERAL GOODS TRADE DEFICITS (BILLIONS OF USD)

– Source: US Census Bureau



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THE FRR'S PERFORMANCE IN 2018

A 5.16% DECREASE IN THE FRR'S ASSETS

In 2018, the FRR's overall performance was -5.16% net of charges, and its assets amounted to EUR 32.6 billion at 31 December owing to a general decline in the FRR's assets. Only the performance of the FRR's liabilities matching remained positive.

New risks suddenly appeared

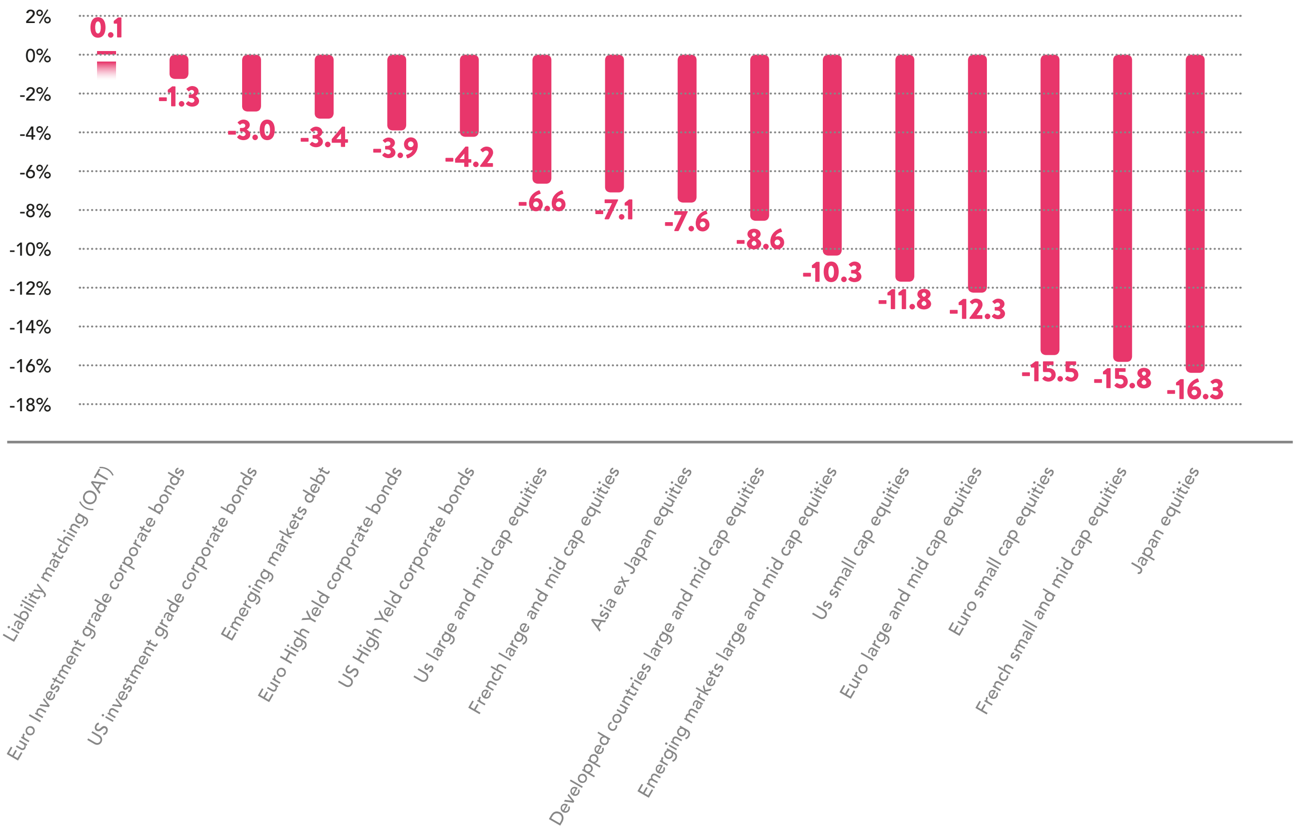
The drop in equities, corporate bonds and emerging market bonds largely resulted from the market giving more consideration to several major risks in the fourth quarter:

- **The slowing of the global manufacturing cycle**

The main cause of which is weaker growth in the Chinese economy and heavier trade tension after Donald Trump adopted the protectionist agenda announced during his election campaign. On the pretext of national security, the United States' unilateral protectionist measures seriously damaged international trade relations. The climate of uncertainty caused by tension not just with China but also the

In 2018, the FRR's overall performance was -5.16% net of charges.

PERFORMANCE OF FRR'S ASSET CLASSES IN 2018 AT 31/12/2018 (%)
– Source: Bloomberg, FTSE, MSCI, JP Morgan indices



European Union and other US allies weighed on these economies' growth. However, one positive development was the trade agreement reached between the United States, Mexico and Canada to replace NAFTA, although it still has to be ratified by the three countries' legislative bodies.

• A sharper-than-expected rise in US interest rates

The backdrop of tightening financial conditions around the world (rise in Fed Funds rate and appreciation of the dollar) led to a steep decline in net capital flows into emerging market economies, and caused a marked depreciation of these currencies during the summer of 2018. Local crises in Turkey and Argentina also fuelled investor distrust. However, tension on emerging market assets eased at the end of the year, largely due to the truce agreed by China and the United States in their trade conflict at the beginning of November.

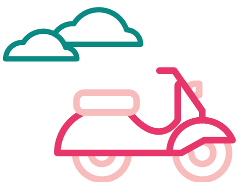
• Political and geopolitical risks

Political risk mounted in Europe, adversely affecting the markets and economic activity. In Italy, the economic manifesto of the new populist coalition in power (Five Star Movement and League) raised fears that public finances and debt (132% of GDP) would spiral out of control, greatly increasing the risk premium on Italian assets. Uncertainty surrounding the Brexit process and, more recently, widespread social unrest in France, also sapped confidence in Europe.

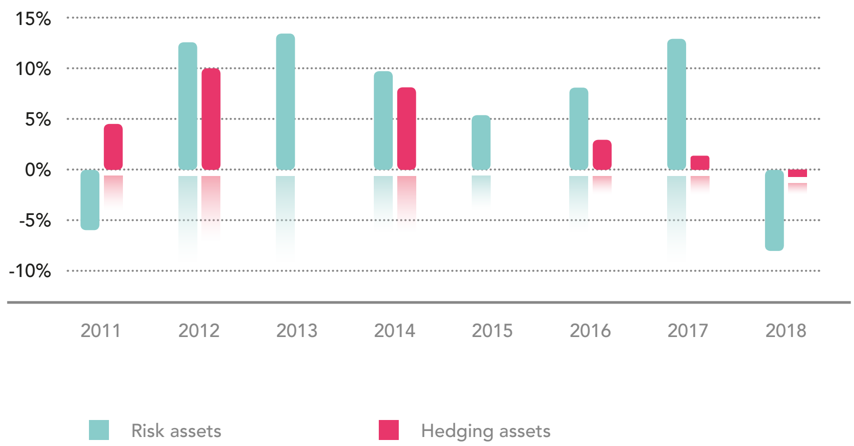
These risks greatly affected the markets in 2018

Performance assets fell furthest in 2018 and, unlike in 2017 when the FRR's assets had edged up (+0.4%), hedging assets could not make up for this poor showing.

The 8% decline in performance assets was primarily attributable to equities. After rising in January, they starting slipping in February/March when interest



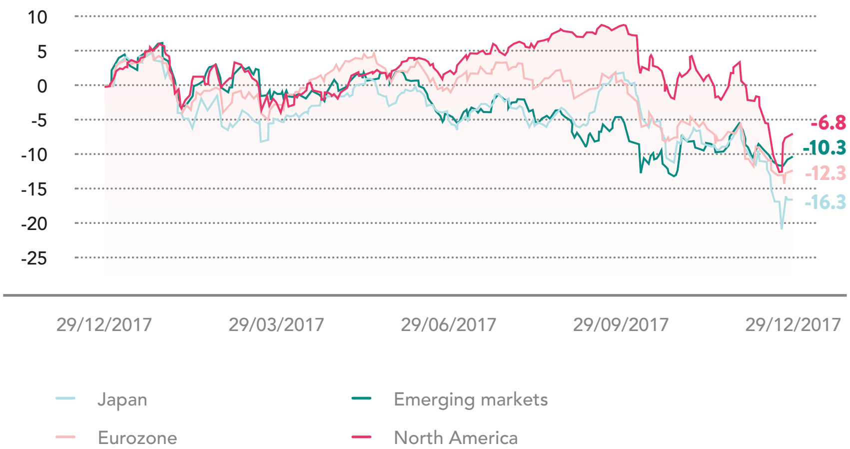
ANNUAL PERFORMANCE OF BOTH ASSET CLASSES SINCE 2011



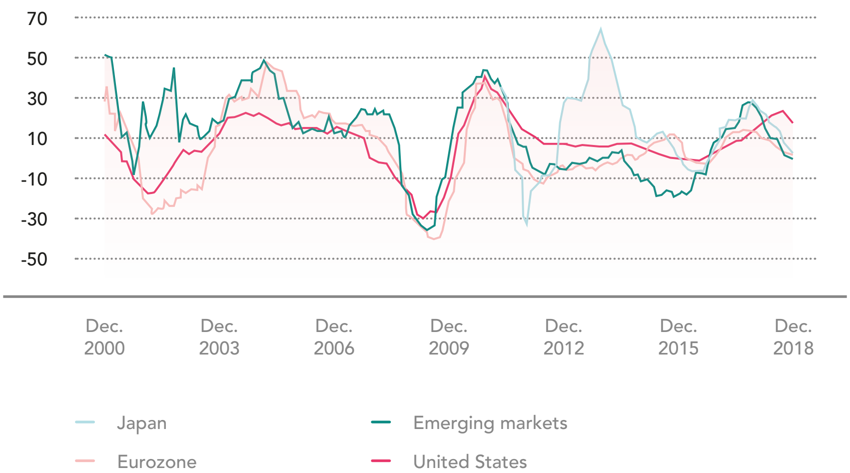
rates surged in the United States after inflation figures came in higher than forecast. They rallied from March to September, except in emerging countries, which suffered most from trade tension with the United States. Developed countries' equities then caught up with emerging market equities in the fourth quarter following another rise in US government bond yields and escalation of trade tension.

US equities ultimately continued to benefit from fiscal stimulus and support for domestic demand, with earnings leaping by 23% y/y at the end of 2018. The lead gained over the first three quarters softened the blow of the fourth quarter, resulting in annual performance of -6.6%. However, earnings fell throughout the year in the eurozone, Japan and emerging countries, in line with the softening of these regions' GDP growth. They started 2018 with increases of 14%, 20% and 27% respectively, but ended with 4%, 12% and 3%. Consequently, their equity markets ended the year with much weaker performances than in North America: -12.3% for the eurozone, -16.3% for Japan and -10.3% for emerging countries.

EQUITIES' PERFORMANCE IN 2018 AT 31/12/2018 (%)



EVOLUTION OF EARNINGS (Y/Y) (%)



The 0.8% decline in hedging assets over 2018 was mainly due to the increase in risk premiums over the fourth quarter. These rose from 2.8% to 5% for investment grade bonds in euro and from 3.4% to 5.3% for those in dollars. Dollar-denominated bonds also suffered from the rise in yields over the first three quarters (from 2.4% to 3.1% for 10-year issues), which the year-end fall (from 3.1% to 2.7%) could not make up for. European yields barely moved in 2018, easing from 0.8% to 0.7% in the case of France.

10 YEAR INTEREST RATES OF SOVEREIGN BONDS SINCE 2001 (%) – Source: Bloomberg

29/12/2017 - 31/12/2018	Net contribution to the global performance of the portfolio
Performance Seeking Assets	**-4.61%**
Eurozone equities	-1.61%
European equities	-0.56%
French equities	-0.62%
North American equities	-0.18%
Asia Pacific equities	-0.60%
Emerging market equities	-0.87%
Developed market equities	-0.13%
High Yield Corporate bonds bonds	0.05%
Emerging Market Debt	-0.27%
Non-listed assets	
Private Equity in euros	0.05%
Private equity in dollars	0.00%
Infrastructures	0.02%
Real Estate	0.03%
Private debt and equity balanced	0.00%
Private debt	0.09%
Liability Hedging Assets	**-0.48%**
Euro-denominated Investment Grade corporate bonds	-0.24%
US Dollar-denominated Investment Grade corporate bonds	-0.29%
Liability Matching (French Government Bonds)	0.02%
Cash	0.03%
Administrative and financial charges	**-0.06%**
Total	**-5.16%**

All asset classes weighed on performance, with the exception of OAT and unlisted assets, which were valued at the end of September. High yield bonds (and, to a lesser extent, emerging market bonds) benefited from the unwinding of dollar hedges for this asset class, which offset the capital loss resulting from the rise in yields and spreads.

PRUDENT MANAGEMENT OF THE PORTFOLIO IN 2018

The FRR's investment process is designed to ensure that it fulfils its commitments

Servicing the FRR's liabilities

The FRR's main objective is to be able to service its liabilities, which consist of annual payments to the CADES of EUR 2.1 billion until 2024, and any payments to the CNAV in respect of the CNIEG balance[1], indexed to the FRR's performance.

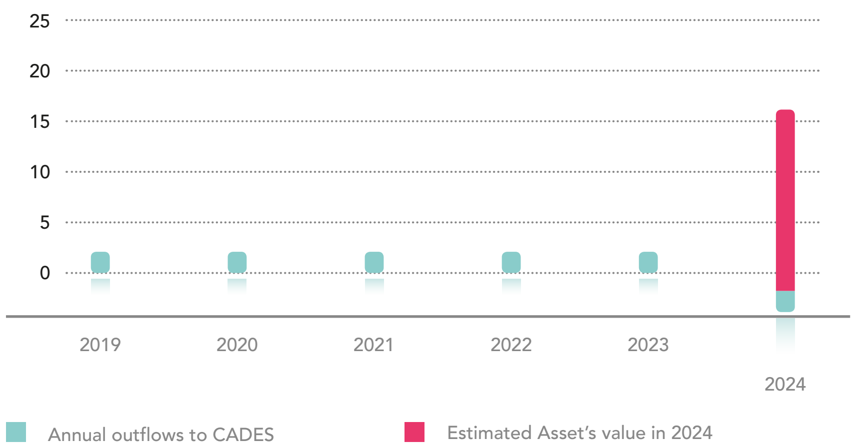
Under a relatively short liability-based investment model, the ability to comply with this objective can be assessed at any time on the basis of the risk to the surplus. This is defined as the difference between the FRR's assets and present value of liabilities,[2] and must be higher than 0. At 25 April 2024, when the FRR will no longer have any liabilities, the surplus will be equal to assets.

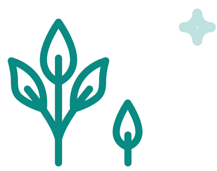
Compliance with this objective is assessed by means of several risk metrics applied to the surplus.

Interest rate risk is linked to the hedging of liabilities. The hedging assets enable the FRR to ensure that it is in a position to fully honour its annual liability payments. To that end, even in an extremely low interest rate environment, they must represent a substantial proportion of liabilities. The hedging assets include «OAT» (French Treasury Bonds) delivering an income stream (from maturing issues and coupons), in proportion to the amount of the FRR's liabilities, as well as euro or dollar-denominated investment grade corporate bonds (rated at least BBB-).

The FRR has a surplus equal to the difference between its assets and the present value of its liabilities. The amount of the hedging assets may be slightly less than that of liabilities, without jeopardising the Fund's ability to honour its commitments. This enables the Fund to invest more in assets with higher upside potential (equities, high yield bonds and emerging countries), mainly as a result of current interest rate levels. A series of risk metrics is applied to check that the FRR is in a position to meet all its financial obligations to CADES even in a very unfavourable scenario.

FRR'S LIABILITIES AND ASSETS REMAINING IN 2024 (IN EUR BILLIONS)





1. National electronic and gas industries fund (Caisse nationale des industries électroniques et gazières)
2. The present value is obtained using «zero coupon» interest rates of the French government bond yield curve

THE FRR'S EXPERTISE AND WORK WON THREE IPE AWARDS IN 2018

The FRR was nominated for IPE[3] Awards (one of the biggest events in the European pension fund calendar, recognising entrants' sophistication and creativity) in the following categories in 2018: French pension fund, European reserve fund, passive management, climate risk management, factorial investment, portfolio construction and diversification, risk management, and equity management. For the first time, the FRR won three awards in the following categories:

- **Sovereign Reserve Fund;**
- **Passive Management,** recognising the development of passive investment in optimised equity indices, as well as the FRR's original approach to ESG management;
- **Climate-Related Risk Management,** which demonstrates all the action that the FRR has taken to mitigate the impact of climate change on its performance.

The FRR was named best French pension fund in 2017, coming top for passive management. In 2016, the FRR received the awards for external asset investment specialist (active management in particular) and smart beta. In 2015, the FRR received the award for portfolio construction and best European reserve fund[4]. In 2014, the FRR was named best French pension fund.

The portfolio's overall risk is assessed on both a short-term and long-term basis. Over the long term, a wide range of possible outcomes for projecting the surplus have been simulated using the Monte Carlo method for the period until 2024 (see graph for simulations using Student's t-distribution), allowing us to estimate that at any given time the surplus will average 1% in the worst-case scenarios. This must be positive at all times, and should even allow us to maintain a safety margin to reflect the modelling risk inherent in this type of exercise.

The FRR assesses the risk to the surplus through two different metrics:

- A short-term risk: the surplus remaining after the worst stresses to each asset class in the last 25 years;
- A long-term risk: the average value of the surplus in the worst 1% of cases simulated in 2024.

The surplus remaining after these short- and long-term stresses must obviously remain positive and even retain a safety margin to reflect the modelling and forecasting risk on the asset classes.

Creating value for the State

In line with this initial objective, a second aim consists in maximising the value of the surplus over time. In particular, the FRR must create value for the State, by delivering a performance in excess of the cost of the French debt plus the cost of financing the CADES (around 0.10%).

3. Investment & Pensions Europe

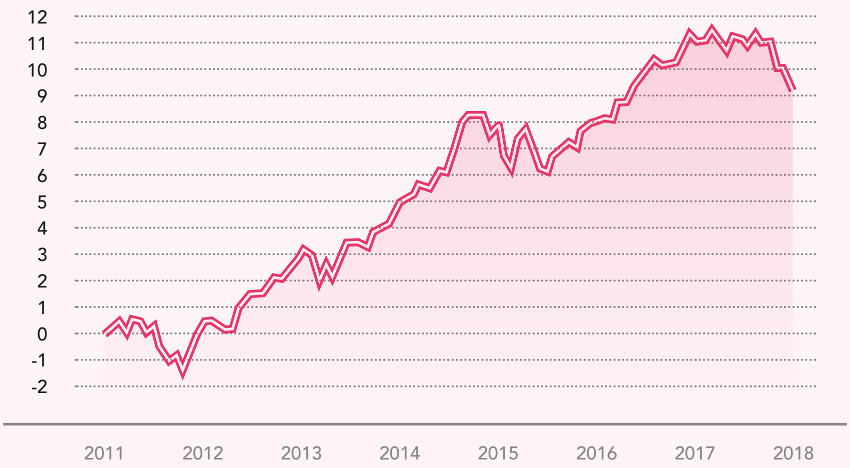
4. With the NLB Penziski fund

VALUE CREATION

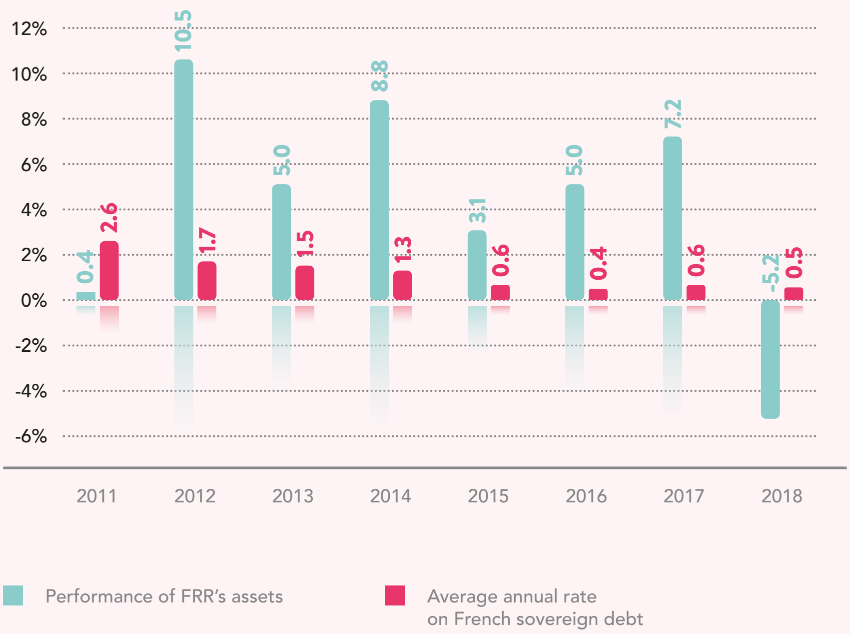
Since the new liability-based investment model was introduced at the end of 2010, the FRR has managed to create EUR 9.3 billion of additional value in relation to the average cost of the French government's debt, down EUR 1.9 billion during 2018. Value creation rose by EUR 2.4 billion in 2017. The total of EUR 9.3 billion corresponds to the difference between the increase in the FRR's assets, adjusted for contributions and disbursements since the end of 2010, and the return on a theoretical investment in a like amount compounded at the chained annual average rate of French short, medium and long-term sovereign debt issues, taking the CADES spread into account.

Over the last eight years, the annualised performance of the FRR's assets was 4.2%, while the average annual yield on French sovereign debt (+ CADES spread of 0.1%) amounted to 1.15% (0.5% in 2018).

FRR'S VALUE CREATION (FRR'S ASSETS VERSUS AN INVESTMENT AT THE COST OF FRENCH DEBT) IN EUR BILLIONS – Source: FRR, Agence France Trésor



ANNUAL PERFORMANCE OF FRR'S ASSETS AND AVERAGE COST OF FRENCH DEBT (%) – Source: FRR, Agence France Trésor



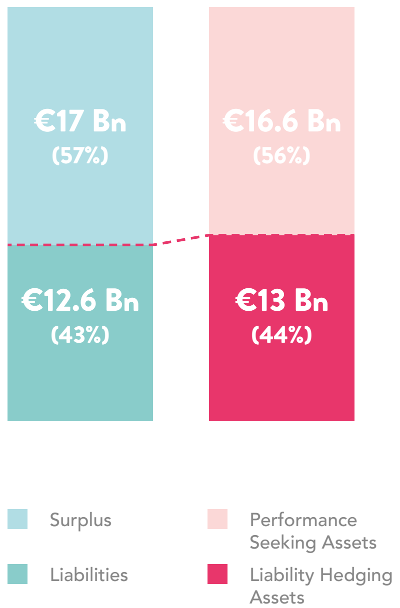
Prudent management in 2018

When it reviewed its strategic allocation in April 2018, the FRR foresaw the emergence of the risks that went on to shake the markets. The FRR could imagine two economic and market scenarios, and attached a high probability to a correction caused by a dip in global growth rates (or even technical recessions in some countries), and rise in inflation and interest rates in the United States at a time of weak productivity gains, against a backdrop of trade tension and political risk.

The FRR therefore chose a prudent allocation, which significantly reduced the risk to the surplus. In stress tests, the chosen strategic allocation produced a larger surplus than that produced by the strategic allocation of 2017, irrespective of the market conditions. This can also be seen in the FRR's structure.

For the first time since the change of investment management model in 2010, the amount of hedging assets exceeded the liabilities. The hedging ratio therefore climbed above 1, and the allocation of the surplus became less risky. This further improved compliance with the FRR's two objectives, as the amount of value created since 2010 fell less steeply in the fourth quarter of 2018.

ASSETS UNDER MANAGEMENT (WITHOUT CNIEG) : €29.6 BILLION



THE FRR'S PORTFOLIO

The FRR's delegated management

With the exception of the management of operational cash requirements, all of the FRR's investments are made through investment service providers. To that end, the FRR may either use management mandates awarded through tender processes, or subscribe directly to investment funds. Alongside traditional management, the FRR has appointed two managers to follow an overlay management approach. This type of management allows the FRR to hedge its currency risk and tactically adjust its asset allocation without getting involved in the management of the selected managers' portfolios.

The FRR is exposed to certain asset classes through UCIs managed in a predominantly active manner. This involves investing in emerging market debt, emerging market equities, high yield corporate bonds, loans to the economy, infrastructure, and money market instruments.

Composition of the FRR's portfolio

From more than 55% at the end of 2017, the weighting of performance assets started to trend downwards in late January, following the trajectory of the stock markets, and again in late April when the strategic allocation was revised with the sale of nearly EUR 1.5 billion in assets. Meanwhile, the amount of equities hedged with options increased from 8% to 10%. The weighting of performance assets started to fall again in the fourth quarter when the markets dropped, but increased at the end of the year as a result of a tactical switch towards equities.

Performance assets accounted for 55% of the FRR's net assets at the end of 2018, compared with 55.6% at the end of 2017.

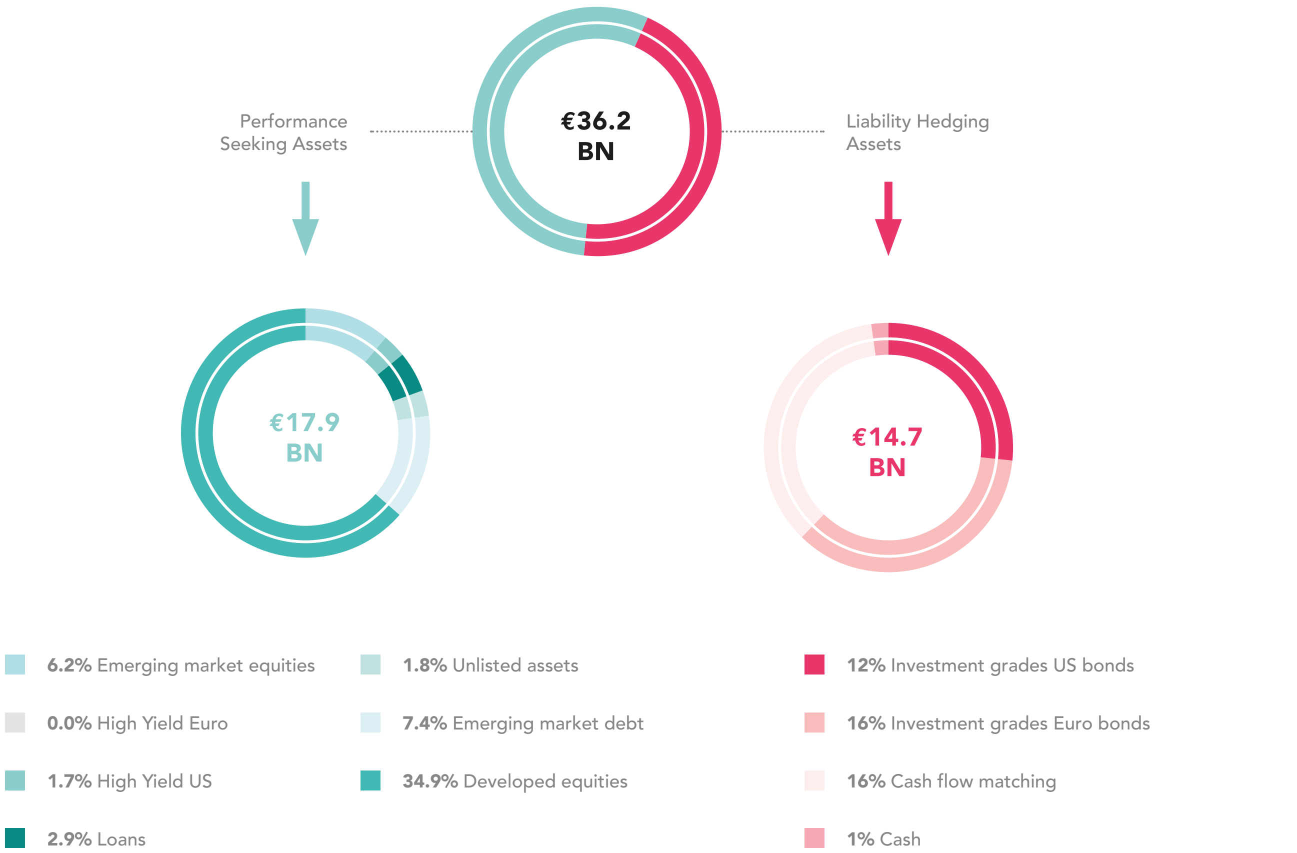
The programme to invest EUR 2 billion in unlisted assets, to help finance the French economy, was also stepped up in 2018. A total of EUR 483 million was invested in private debt, private equity, infrastructure and real estate during the year.

At 31 December 2018, the FRR's portfolio comprised:

- performance assets accounting for 55% of the FRR's net assets, versus 55.6% at the end of 2017; and
- hedging assets accounting for 45% of the FRR's net assets, versus 44.4% at the end of 2017.

	End of 2017	End of 2018
Equities	**43.6%**	**41.2%**
European equities	23.0%	18.6%
Non european equities	13.0%	10.3%
Equities covered by option strategies	7.6%	12.3%
High Yield corporate bonds	**2.6%**	**1.8%**
Emerging market debt	**6.2%**	**7.4%**
Non-listed assets	**3.2%**	**4.6%**
Private debt	2.0%	3.0%
Private equity	0.9%	1.0%
Infrastructures & real estate	0.3%	0.6%
Performance Seeking Assets	**55.6%**	**55.0%**
Investment Grade Bonds	**42.9%**	**43.9%**
Cash Flow Matching (French Govies)	17.3%	15.9%
Developed market bonds	0.0%	0.0%
Investment Grade Corporate Bonds	25.6%	28.0%
Cash	**1.5%**	**1.1%**
Liability Hedging Assets	**44.4%**	**45.0%**

FRR PORTFOLIO AT 31/12/2018

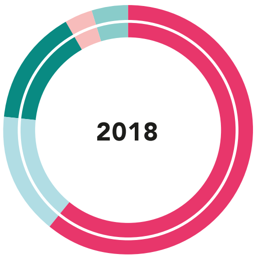


Breakdown of the portfolio by management type[5]

The FRR uses different types of management to achieve its asset allocation objectives:

- passive management for substantial unitary amounts;
- active management aimed at seeking continuous relative outperformance.

BREAKDOWN OF THE PORTFOLIO BY MANAGEMENT TYPE (31/12/2018)



60.9% Active management

15.9% Passive management

14.9% Passive management optimized ESG

3.8% Overlay **4.5%** Cash

Breakdown of components and major asset classes

The FRR's portfolio combines passive investment mandates of high unit value and active investment mandates that seek constant relative outperformance.

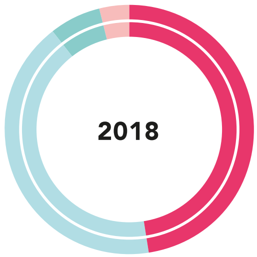
The Fund also invests in a number of asset classes (emerging debt, emerging equities, high yield corporate bonds, FPE and money markets) via UCITS, for the most part actively managed.

This "core-satellite" approach implemented for investment mandates seeks to ensure exposure to the principal markets, at the lowest possible cost, with the selection risk focused primarily on the active strategies that the FRR believes are most likely to generate a return. At 31 December 2018, around 61% of the FRR's total net assets and 57% of equity investments were actively managed.

Performance assets

At 31 December 2018, the market value of the equities portfolio was EUR 11.4 billion (excluding overlay).

BREAKDOWN BETWEEN PERFORMANCE ASSETS AND HEDGING ASSETS AT 31/12/2018

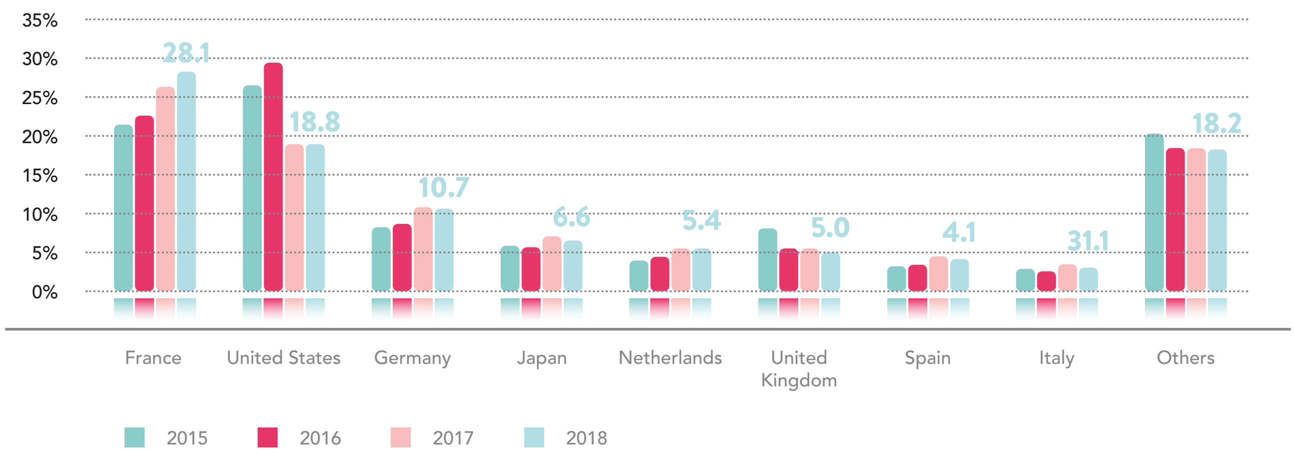


47.7% Performance assets

41.8% Hedging assets

6.6% Cash **3.8%** Overlay

CHANGES IN THE REGIONAL BREAKDOWN OF EQUITY MANDATES AT 31/12/2018 (%)



5. Corresponding, as at 31 December 2018, to EUR 1.25 billion under overlay management, EUR 1.5 billion in cash, EUR 5.2 billion under passive management, EUR 4.8 billion under ESG optimised passive management, and EUR 20 billion under active management.

SECTORAL BREACKDOWN OF EQUITY MANDATES AT 31/12/2018

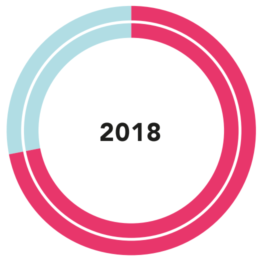
- 17% Industrials
- 13% Consumer goods
- 11% Consumer services
- 10% Health
- 8% Technology
- 7% Banking
- 5% Oil and gas
- 5% Insurance
- 5% Utilities
- 4% Financial Services
- 4% Raw Materials
- 4% #N/A
- 4% Real Estate
- 3% Telecoms

At a regional level, the increase in the weighting of eurozone investments from 46% in 2013 to 61% in 2018, was – in 2015 and 2016 – due to European equity investments managed against optimised indices being transferred to eurozone equities in order to improve currency risk management. Also, in 2016, a decision was taken to close passive management mandates for European equities, as well as ADECE Europe (developed market equities exposed to emerging market growth) mandates. One North-American active management mandate and two passive management mandates were also closed in 2017 to activate mandates managed with optimised ESG low-carbon indices (Eurozone, World, Europe). The slight rise in the weighting of eurozone investments between 2017 and 2018 resulted from the continued selection of funds dedicated to lending to the economy since 2014.

Hedging assets

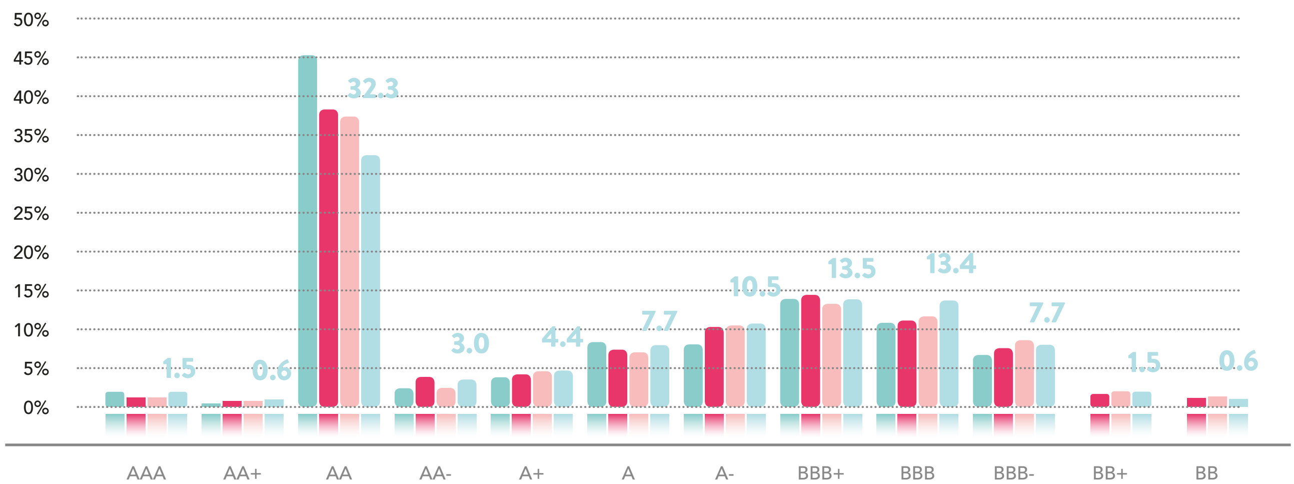
This component represented around 41.8% of the FRR's net assets at 31 December 2018. It notably includes investment mandates taking a matched approach to buying and holding[6] French government bonds so as to service a substantial part of the CADES payment up to 2024, but also includes investment grade corporate bond mandates.

BREAKDOWN OF FIXED INCOME MANDATES BY CURRENCY AT 31/12/2018



- 72% EUR
- 28% USD

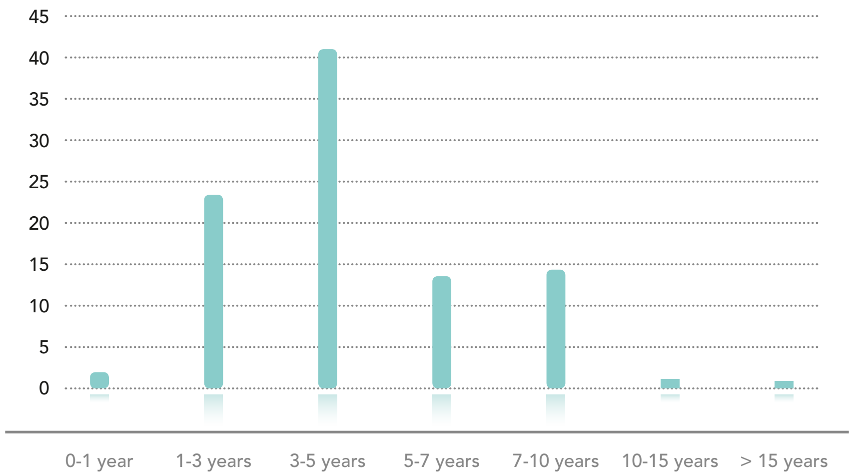
CHANGES IN BONDS HELD VIA MANDATES BY ISSUE RATING (%)



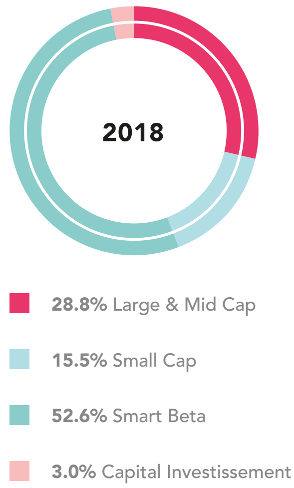
2015 2016 2017 2018

6. Fixed income investment, whereby the securities in the portfolio are normally held to maturity

STRUCTURE OF FIXED INCOME MANDATES BY MATURITY RANGE ON 31/12/2018



BREAKDOWN OF ASSETS BY MANAGEMENT TYPE AT 31/12/2018



The steady decrease in government bond yields over recent years has led the FRR to continue diversifying its hedging assets by increasing the weighting of corporate bonds in the portfolio to take advantage of higher yields, which now account for most of the return on bonds. The weighting of corporate bonds as a proportion of hedging assets reached 67% in 2018, compared with 60% in 2017.

The assets in the hedging portfolio have good credit ratings: the lowest-rated issuers (BBB) account for no more than 34.7%, and just 2.1% are rated below BBB-.

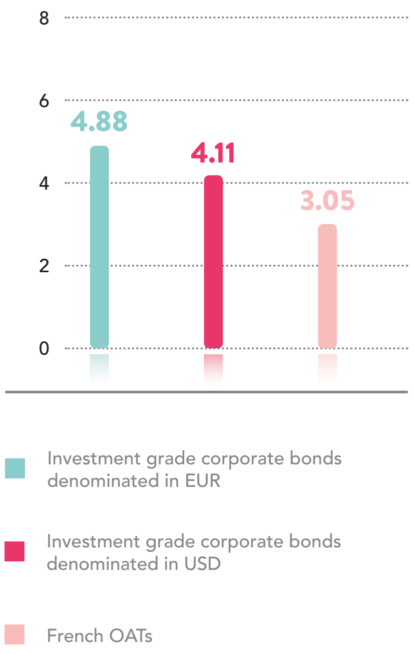
As regards issuers in the hedging component, over 33.5% of fixed income assets are government bonds, 29.05% are issued by banks and 37.41% are corporate bonds. If we also take into account the bonds held in the performance portfolio, which account for 23% of the FRR's total bond holdings, across all components, these proportions would be 40% for government bonds and 60% for private sector bonds.

The most notable changes in weighting

The implementation of the FRR's strategic allocation in 2018 helped reduce the risk to the portfolio in what many viewed as uncertain times. However, the FRR made limited adjustments during the year.

The most notable changes in the weighting of assets during 2018 were a 4.7% increase in hedged equities and 7.1% decrease in unhedged equities, a 2.4% increase in investment grade corporate bonds, which nudged up the weighting of hedging assets relative to the end of 2017 despite a natural fall in OAT coverage when the OAT 2018 matured, and a 1.4% increase in unlisted assets, which accelerated.

MODIFIED DURATION OF FIXED INCOME MANDATES AT 31/12/2018



Increased investment in the French economy

The FRR maintained its commitment to corporate lending, private equity and investment in infrastructure and real estate as part of the EUR 2 billion unlisted assets budget to support the French economy, and a EUR 1.1 billion budget for loans to the economy, mostly in France.

Regarding calls for funds:

- in **infrastructure,** total calls for funds amounted to **EUR 44 million;**
- in **real estate, EUR 37 million** was called by the FLI fund and the new Brownfield fund, which specialises in soil decontamination;
- in **private equity,** there were greater calls for funds from mandates, with those from Ardian and Swen coming on top of others from LGT, IdInvest, Truffle and Omnes. A total of **EUR 84 million** was called;
- in **business loans,** calls for funds from mandates (coupled with those from collective funds) increased to **EUR 293 million;**
- **mixed NOVI funds** (private equity and business loans) called EUR 25 million.

A total of EUR 483 million was therefore called in 2018. Payouts were also received, often from old programmes (for infrastructure and private equity) much less focused on the French economy, and from the first repayments (for business loans). These payouts amounted to EUR 2 million for infrastructure, EUR 101 million for private equity and EUR 51 million for business loans, giving a total of EUR 154 million.

New commitments were made totalling EUR 540 million, including in particular innovation capital for EUR 185 million and private debt for EUR 170 million, with EUR 483 million therefore called in 2018.

Reduction in the portfolio's modified duration

As regards interest rate risk management on the investment grade bond portfolio, the FRR reduced its underexposure to the US curve and then its overexposure to the German yield curve, bringing the portfolio's total exposure to investment grade debt in line with that of the strategic allocation, whereas the FRR had previously been underexposed. In terms of regional allocation at the end of 2018, however, the FRR is still underexposed by around 3.5% to dollar interest rates when compared with the strategic allocation, and overexposed to euro interest rates.

The surplus's modified duration reached -0.33 at the end of 2018, compared with -0.8 at the end of 2017. This means that a one-point rise in the yield curve would increase the surplus by 0.33%, or around EUR 50 million. In contrast, a one-point fall would reduce the surplus by 0.33%.

This negativity is being steadily reined in, as the modified duration of the FRR's liabilities is falling more quickly than that of its assets. Indeed, the liabilities' maturities are growing ever shorter, meaning a steady decrease in modified duration. In contrast, the assets include corporate bond indices in which new bonds are replacing those approaching maturity, keeping modified duration more or less constant.

Furthermore, the value of hedging assets now exceeds that of liabilities, as the hedging assets are no longer used only to service debt, but also to invest some of the surplus in order to manage it prudently. In future, and without any change in the financial position (assets or liabilities), it would therefore be natural to see modified duration become positive.

Other mandate changes

Mandate and fund openings in 2018 were above all in unlisted assets: business loans, private equity, real estate and infrastructure. However, other changes were also made:

- the closure of the passively managed global equity lot and SRI actively managed European small and mid-cap equity lot to participate in the 2018 payment of EUR 2.1 billion to CADES and the reduction in the equity weighting in response to the prudent forecasts in the 2018 strategic allocation;
- the renewal of passive management mandates with OAT coverage;
- the change of benchmark for 60% of passively managed French mid and large-cap equities, switching from a capitalisation weighted index to a smart beta index: Scientific Beta France Multi Beta Multi Strategies.

NEWS ON TENDERS

Calls for tender relating to private equity (more specifically capital for the development/transfer of French micro, small and medium-sized enterprises) and transition management, launched in 2017, were finalised in 2018. 2018 was also a year of renewed calls for tender involving active equity management mandates in Europe, France and the United States.

From the beginning of 2018, the FRR continued its work selecting development capital calls for tender, choosing LBO France Gestion and Isatis Capital.

The call for tenders relating to transition management led to FRR selecting two investment managers: Blackrock Advisors (UK) Limited and Russell Investments France.

In April, the FRR launched a new call for tenders to select several investment managers capable of providing responsible active management in European and French small-cap equities. This call for tenders broke down into two lots: one for Europe, the other for France. Unlike the previous generation of calls for tender, the FRR clearly demonstrated its responsible approach by seeking managers able to show how their investment processes incorporate ESG criteria and consider them as part of the process of evaluating investments, entering into discussions with companies held in the portfolio, and taking climate change into account.

The final selection of no more than four or five investment managers per lot should be made in the first half of 2019.

In June 2018, the FRR also relaunched the call for tenders relating to responsible active management of US equities. Two lots concerned active management adopting the Value and Growth styles. The FRR also decided to add a third lot covering US small caps with no theoretical style bias. Just as with the European small-cap call for tenders, the FRR is seeking candidates able to factor ESG criteria into their investment process for these lots. The final selection of no more than three or four investment managers per lot should be made in the first half of 2019.

- 3 -

SOCIALLY RESPONSIBLE INVESTMENT AT THE HEART OF THE FRR'S INVESTMENT MANAGEMENT

RESPONSIBLE INVESTMENT STRATEGY FOR THE 2019–2023 PERIOD

Although not bound by the Energy Transition for Green Growth Act no. 2015-992 of 17 August 2015, the FRR has adopted the framework set out in the new disclosure requirement for institutional investors regarding the incorporation of ESG criteria into their investment policy and practices, and specifically their management of climate-related financial risks (Article 173, paragraph 6 of the Energy Transition for Green Growth Act, extension of Article 224 of the Grenelle II law).

Accordingly, the FRR has decided to detail its environmental, social and governance externalities in a separate document, independent of this annual report. The FRR also continued working on new and innovative metrics to assess its environmental impact in 2018.

The 2019-2023 Responsible Investment strategy adopted by the FRR's Supervisory Board has four key components within a system of regular monitoring by the Responsible Investment Committee, composed of members of the FRR's Supervisory Board and experts.

EMBODYING RESPONSIBLE INVESTMENT

Incorporating new standards

- Publication of the Article 173 Report
- Monitoring of the recommendations of the TCFD, HLEG and European Commission
- Adoption of the principles of the global stewardship code
- Consideration of sustainable development goals with a view to adoption
- Measurement of non-financial performance
- Definition of a non-financial risk budget
- Adaptation of the voting policy

Accelerating energy transition

- Integrated vision of social and environmental impacts
- Transition support
- Impact mitigation
- Minimisation of the environmental footprint
- Target trajectory of less than 2°
- Financing of "green" activities

Extending responsible investment requirements

- Responsible management of all assets
- Incorporation of ESG criteria into all investment processes
- Impact study
- Business support
- Definition of impact measurement and indicators
- Systematisation of reporting
- Active management of the exclusion list

Engaging with the financial management ecosystem

- Exchange with peers
- Communicate
- Develop the research
- Share, Communicate, Develop, Exchange, Associate
- Transmit good practices
- Promote the ESG criteria integration on indexes

THE FRR, A RESPONSIBLE INVESTOR

The FRR has therefore gradually laid the foundations for incorporating environmental, governance and social criteria, across its entire portfolio, when selecting its asset managers and the securities in which they invest.

In 2008, the FRR adopted a system to monitor and prevent non-financial risks that could have an impact not just on its investments but also its reputation. Risks to the FRR may arise from companies in which it invests failing to comply with universally recognised principles, such as the United Nations Global Compact and Responsible Investment Principles, those on good governance such as the International Corporate Governance Network, as well as international conventions ratified by France, in particular the Ottawa[1] and Oslo[2] Conventions.

The FRR now excludes companies whose thermal coal mining or electricity, heat or steam generation business exceeds 10% of their revenue.

The FRR is increasing its exclusion of the most polluting companies

Since its foundation, the FRR has been factoring climate change issues into its investment strategy. It has been measuring and assessing its equity portfolios' carbon footprint since 2013. The FRR has been firmly committed to the ecological and energy transition theme for several years, and has introduced an ambitious decarbonisation policy aimed at reducing its portfolio's CO_2 emissions. To reflect this commitment, companies whose thermal coal mining or electricity, heat or steam generation business exceeds 20% of their revenue have been excluded from the portfolio since 2017.

In 2018, the FRR decided to work even harder towards a low carbon economy, and now excludes companies whose thermal coal mining or electricity, heat or steam generation business exceeds 10% of their revenue.

1. Convention on the prohibition of the use, stockpiling, production and transfer of anti-personnel mines and on their destruction.
2. Convention on the prohibition of the use, stockpiling, production and transfer of cluster bombs and on their destruction.

THE FRR RANKED SECOND AMONG THE 100 PENSION FUNDS MOST HEAVILY INVESTED IN COMBATTING CLIMATE CHANGE

In 2018, the FRR came second in the global ranking of the 100 pension funds most heavily invested in combatting climate change, according to the Asset Owners Disclosure Project (AODP) report published on 10 September 2018.

This ranking, which appears in the "Pensions in a changing world" report, was produced by AODP, which is part of the UK NGO ShareAction. The aim is to assess and score pension funds for their response to the risks presented by climate change. AODP rated their investment according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

This recognised the efforts that the FRR's governing bodies and teams have long been making, given their awareness of the major financial risks attached to climate change.

The FRR provides information on the carbon footprint of its equity and bond portfolio

The FRR calculated the environmental footprint of its portfolio for the first time in 2007, including the carbon footprint. The FRR has been evaluating its portfolio annually since 2013. The study covers emissions generated through companies' and their direct suppliers' business.

The FRR has chosen to measure its carbon footprint using three complementary methods: The carbon footprint in terms of portfolio revenue, obtained by dividing companies' annual CO_2 emissions (in tonnes) by their annual revenue expressed in millions of euro, shows the efficiency of the companies in which the FRR is invested. This is the methodology that the FRR uses most often for its analyses. The following two methodologies are used for additional information or analysis. The carbon footprint in capital terms, calculated in tonnes of CO_2 equivalent per EUR 1 million invested, represents the amount of emissions financed by the FRR's assets. The portfolios' average footprint is calculated as an arithmetic mean of the carbon intensity of companies held, weighting according to their weight in the portfolio.

The results of the analysis of the carbon footprint of the FRR's portfolio will be detailed in its Article 173 Report.

Exclusions linked to prohibited weapons

Each year, the FRR publishes an exclusion list approved by the Supervisory Board's Responsible Investment Committee. This list is updated during the first half of each year, and published on the FRR's website.

The aim of its methodology is to identify companies involved in the development, production, maintenance, use, distribution, stockpiling, transport or trade of cluster weapons, anti-personnel mines, chemical and biological weapons or their key components.

From its investment universe, the FRR identified and placed on its exclusion list 46 companies in 2018.

Two companies that appeared on the list in 2017 have since been removed. These are Orbital ATK inc., acquired by Northtrop Grumman, and S&T Holdings, now considered to be a shareholder of the company producing controversial arms (S&T Dynamics) rather than a producer in its own right.

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Number of companies identified on the FRR's investment universe and placed on Exclusion List

THE FRR'S NEW EXCLUSION LIST FOR 2019

Company	Country
Aerojet Rocketdyne Holdings	United States
Aeroteh SA	Romania
AEROSTAR	Romania
Arab Organization for Industrialization	Egypt
Aryt Industries Ltd	Israel
Aselsan Elektronik Sanayi Ve Ticaret	Turkey
Avibras Indústria Aeroespacial	Brazil
Bharat Dynamics Limited	India
Bharat Earth Movers Limited (BEML)	India
Bharat Electronics Limited	India
China Aerospace Science & Technology Corporation	China
China National Precision Machinery Import and Export Corporation	China
China North Industries (Norinco)	China
China Poly Group Corporation	China
DMD Group	Slovakia
Doosan Corporation	South Korea
Elbit Systems	Israel
General Dynamics	United States
Hanwha Corporation	South Korea
Hanwha Aerospace	South Korea
Heliopolis Company for Chemical Industries	Egypt
Honeywell International	United States
Indian Ordnance Factories	India
Israel Aerospace Industries	Israel
IMI Systems	Israel
Kaman	United States
L3 Technologies	United States
Larsen & Toubro	India
Lockheed Martin	United States
Makina ve Kimya Endustrisi Kurumu (MKEK)	Turkey
Motovilikha Plants/Motovilikhinskiye Zavody	Russia
Myanmar Defence Products Industries	Myanmar
Northrop Grumman	United States
Northrop Grumman Innovation Systems/ Orbital ATK	United States
Ordtech Military Industries	Greece
Poongsan Corporation	South Korea
Premier Explosives	India
Raytheon	United States
Roketsan	Turkey
Rostec (Russian Technologies State Corporation)	Russia
S&T Dynamics	South Korea
SPLAV State Research and Production Enterprise	Russia
Tata Power Company	India
Textron	United States
Union of Military Industries	Cuba
Yugoimport SDPR	Serbia

Implementation of the tobacco exclusion

Smoking is recognised as one of the greatest and most serious threats to public health worldwide. The World Health Organization (WHO) estimates that smoking is responsible for nearly 12% of deaths among adults over the age of 30. In response, the WHO, governments and civil society are increasingly coming together to discourage tobacco consumption, and this could eventually weigh on tobacco companies' performance. The FRR believes that dialogue with these companies cannot achieve anything, as the only question that can be asked of them is to quite simply give up their business.

The FRR decided to join the fight when it elected to divest from tobacco in 2017: *"At its meeting of 1 December 2016, the Supervisory Board of the Fonds de Réserve pour les Retraites (FRR) adopted the Management Board's proposal to exclude from the portfolio investments in tobacco company equities or bonds"*. In the analysis of the FRR's portfolio as at 30 June 2018, we have noted that all companies demonstrating major involvement in the production or distribution of tobacco were excluded from the FRR's portfolio.

As at 30 June 2018, all companies demonstrating major involvement in the production or distribution of tobacco were excluded from the FRR's portfolio.

THE FRR'S INTERNATIONAL COMMITMENTS

To increase the impact of its commitment to sustainable development, the FRR backs several initiatives covering all areas of ESG. It has played a founding role in many of them. The FRR has also decided to foster dialogue with companies through collaborative initiatives, in partnership with its fund and mandate managers, as well as with companies directly whenever necessary.

The FRR has undertaken the following initiatives:

Involvement in drafting the United Nations Principles for Responsible Investment

At the beginning of 2005, the Secretary General of the United Nations invited a few of the world's biggest institutional investors, including the FRR, to come together and establish a number of principles for promoting the incorporation of socially responsible investment practices into financial management. After six working sessions, and with expert help from representatives of the various stakeholders (companies, NGOs, researchers, etc.), the "Principles for Responsible Investment" were established before being officially signed in New York and Paris during the spring of 2006.

The PRI now reflect the shared values of a group of investors having a long-term investment horizon and diversified portfolios, including insurers and reinsurers, pension funds and other private and public institutional investors. They are fully compatible with the FRR's SRI strategy.

Adoption of the Carbon Disclosure Project (CDP)

Supported by the United Nations Environment Programme, the CDP is one of the most important international initiatives for the environment and climate change. Wanting better information on companies' behaviour with regard to the environment, energy consumption and the effects of climate change, the FRR gave the CDP its backing in 2005, before the biggest 120 French companies were questioned.

Signature of the Montreal Pledge

Signed by 35 institutional investors at the Principles for Responsible Investment conference in Montreal on 25 September 2014, it is backed up by the PRI and United Nations Environment Programme Finance Initiative (UNEP-FI). The investors who signed the Montreal Pledge have undertaken to publish the carbon footprint of their equity investments each year.

Membership of the Portfolio Decarbonization Coalition

Launched in September 2014, this collaborative initiative aims to reduce greenhouse gas emissions by mobilising a critical mass of institutional investors committed to measuring and decarbonising their portfolios. The FRR is at the forefront of this coalition.

Signature of the climate change declaration at the UN summit held on 23 September 2014

In signing this initiative, the FRR committed to:

- collaborate with the authorities to take measures that encourage financing of energy transition towards a low-carbon economy;
- identify and assess low-carbon investment opportunities;
- develop investors' ability to assess risks and opportunities linked to climate change, and incorporate this into investment methodologies;
- foster dialogue on the issue of climate change with companies included in the portfolios;
- publish the initiatives taken and progress made.

Committed staff

Olivier Rousseau, member of the Management Board, sits on the steering committee of the Portfolio Decarbonization Coalition.

Anne-Marie Jourdan, the FRR's Senior Legal Counsel, is a member of the International Corporate Governance Network board of governors.

LIST OF COLLABORATIVE INITIATIVES SUPPORTED BY THE FRR

The FRR continued its involvement in several collaborative initiatives in 2018, and joined two new ones.

Managing risks linked to the supply chain in the textile industry – PRI

Despite the efforts made by companies within the industry, poor working conditions and violations of human rights are still recurring problems in the supply chain. Realising this, seven French institutional investors, including the FRR, decided to launch a joint initiative in 2014 organised by Mirova for managing risks relating to the supply chain in the textile industry.

The main aims of this were to improve transparency, map social risks, develop long-term relations with suppliers, and participate in sector initiatives. The latter aspect was reinforced in 2017.

Climate lobbying – PRI/IIGCC

In spite of their claims to support climate policies, numerous listed companies are indirectly involved in lobbying against these very policies through their professional associations. This dialogue focuses on this inconsistency and aims to improve the transparency of listed companies' lobbying activities by demanding greater transparency from energy companies in their lobbying on issues related to global warming. This initiative has been backed by 50 investors, representing EUR 4.4 trillion in assets under management (IIGCC Initiative on EU Company Climate Lobbying).

Human rights in the extractive sector – PRI

This project seeks to understand how policies relating to human rights are applied by extractive companies, especially in the context of partnerships with local companies or governments.

Extractive Industries Transparency Initiative (EITI)

This initiative seeks to increase the transparency and responsibility of companies operating in extractive industries, by checking and publishing all payments made by companies, as well as all income received by governments, as a result of mineral, oil and gas extraction. In supporting the EITI, the FRR invites all companies directly or indirectly concerned by the above, and in which it holds shares, to contribute. It also encourages those companies already committed to supporting the initiative to play an active role in its implementation.

Statement on ESG in credit ratings

Alongside six rating agencies, including S&P and Moody's, and 100 international investors representing assets of USD 16 trillion, the FRR signed a joint declaration on more systematic consideration of ESG criteria in assessing issuers. This is an important stage in the integration of ESG factors in asset management.

Statement on tobacco

53 investors, health systems, pension funds and insurers, representing USD 3.8 trillion in assets under management, have signed a statement to the World Health Organization (WHO) representatives and national health ministers openly supporting stronger regulation around tobacco control.

Climate Action 100+

Climate Action 100+ is a five-year initiative led by investors to engage with more than 100 of the world's largest corporate greenhouse gas emitters and improve governance on climate change, curb emissions and strengthen climate-related financial disclosures.

The initiative is designed to implement the investor commitment first set out in the Global Investor Statement on Climate Change in 2014/15, supported by 409 investors (including the FRR) and representing more than USD 24 trillion: *"As institutional investors and consistent with our fiduciary duty to our beneficiaries, we will: […] work with the companies in which we invest to ensure that they are minimising and disclosing the risks and maximising the opportunities presented by climate change and climate policy."*

PRI-led engagement on climate change transition for oil and gas (linked to Climate Action 100+)

Coordinated by PRIs, this engagement asks businesses to react to the risks they face from future constraints on the use of oil and gas. The initiative uses Carbon Tracker research ("2 degrees of separation: Transition risk for oil & gas in a low carbon world" report co-written by the FRR) to see how companies assess future production and capital expenditure, as well as governance of decision-making.

The aims of this commitment are aligned with the three high-level objectives of Climate Action 100+.

Initiative objectives:

- Examine how businesses fully evaluate their exposure to climate change transition risks.
- See that the companies are planning suitable responses to future technological and political changes that could limit their ability to use their resources (i.e. in a two degrees of separation scenario under the Paris Agreement on Climate Change).
- Gain a better understanding of how businesses see future production and capital expenditure, as well as the governance underlying this decision-making.
- Encourage better disclosure in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) – especially regarding the analysis of scenarios.

French investors charter for climate commitment

The FRR signed this charter in December 2017. All French public financial traders and institutions decided to pursue an approach aimed at ensuring that their activities comply with the objectives of the Paris Agreement.

As part of a broader attempt to factor environmental, social and governance issues into its shareholding policy, the State has adopted a similar measure based on a strict commitment by all relevant governing bodies to encourage the companies in which the State holds interests to make a clear commitment to a strategy for transitioning to a low-carbon economy.

The commitments made by signatories are as follows:

- Principle 1: Consideration of climate issues in investment decisions;
- Principle 2: Contribution to financing the transition to a low-carbon economy;
- Principle 3: Structured dialogue with stakeholders;
- Principle 4: Sharing of best practices;
- Principle 5: Issue of special financial instruments (this principle does not concern the FRR);
- Principle 6: Transparency and accountability.

Statement to Governments on Climate Change – Date of signature: 23 May 2018

The Asia Investor Group on Climate Change (AIGCC), CDP, Ceres, Institutional Investors Group on Climate Change (IIGCC), Investor Group on Climate Change (IGCC), Principles for Responsible Investment (PRI) and UNEP-FI came together to draft a new global statement on climate change. This calls on governments to:

- Achieve the objectives of the Paris Agreement;
- Accelerate private sector investment in the transition towards a low-carbon economy;
- Commit to improving financial reports on climate issues.

This statement was sent, privately, to the leaders of the G7 nations (Canada, France, Germany, Japan, Italy, United Kingdom and United States) before the G7 summit on 8 and 9 June 2018. It also formed the basis of engagement with governments at the Global Climate Action Summit, G20 Summit and COP24.

Collaborative engagement: investor response to Vale dam failure – Signed on 8 March 2019

The PRI coordinated a response from signatories to the failure of the Vale dam on 25 January in Minas Gerais, Brazil.

Action taken:

1. Coordination of initial dialogue with the company to give it a chance to describe its reaction to the incident and answer questions;

2. Support for the development of a collective investor position in response to the initial meeting with the company;

3. Facilitation of engagement and oversight based on the investors' initial position.

NON-FINANCIAL RISKS TO THE PORTFOLIO

In 2008, the FRR adopted a system to monitor and prevent non-financial risks that could have an impact not just on its investments but also its reputation. Risks to the FRR may arise from companies in which it invests failing to comply with universally recognised principles, such as those of the United Nations Global Compact and of good governance, as well as with international conventions ratified by France, in particular the Ottawa[1] and Oslo[2] Conventions.

Analysis of the portfolio by region, all controversies combined, at the end of 2018

Vigeo Eiris has analysed 2,480 of the 4,581 companies present in the FRR's consolidated portfolio. Those analysed account for 93% of the capitalisation of companies held in the portfolio.

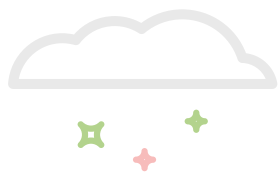
Of the 2,480 stocks analysed, 1,181 had dealt with controversies and 134 are on Vigeo Eiris' warning list.

Nearly half of the companies are involved in at least one controversy (48%), meaning the ratio is stable compared with the most recent assessment in 2017 (47%). Companies from developed countries remain more involved in controversies (51%) than those from emerging countries (39%).

Highly controversial companies and changes in the FRR watch list

At the end of 2018, the FRR's portfolio contained 134 highly controversial companies, compared with 131 at the time of the previous analysis. Though they account for just 5% of companies in the consolidated portfolio, the companies on the warning list are responsible for 36% of all controversies.

All sectors combined, the areas of market behaviour and corporate governance still account for the highest number of controversies among companies on the warning list.



134

Number of companies on the Vigeo Eiris warning list at the end of 2018

1. Convention on the prohibition of the use, stockpiling, production and transfer of anti-personnel mines and on their destruction.

2. Convention on the prohibition of the use, stockpiling, production and transfer of cluster bombs and on their destruction.

Sector analysis of the most controversial companies

84% of companies on the warning list are in the developed world. The sectors with most companies in the portfolio on the warning list remain finance (31%) and raw materials (17%).

Analysis by area of the most controversial companies

121 of the 134 companies on the warning list (90%) were subject to at least one controversy in the market behaviour segment. More than three quarters of these companies showed poor management of controversies in this area.

Conversely, companies on the warning list are less controversial when it comes to human resources.

Sectors	Number of companies on Warning list	% of companies on warning list
Financials	42	31%
Raw materials	23	17%
Consumer Discretionary	18	13%
Healthcare	14	10%
Oil and Gas	9	7%
Industrials	8	6%
Media and Telecoms	7	5%
Consumer staples	5	4%
Technology	5	4%
Public entities	3	2%
Total	134	100%

On the basis of these highly controversial companies, the FRR is drawing up a list of those with whom it will enter into discussions in 2019 through its investment managers or collaborative initiatives, as it does every year.

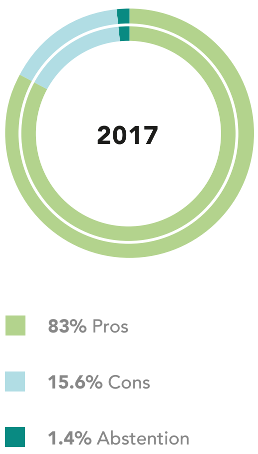
EXERCISE OF VOTING RIGHTS

The FRR's responsible investor policy requires shareholder approval at every general meeting. Given the wide-ranging and international nature of the FRR's investments, its voting guidelines incorporate three dimensions:

- The benefits for the FRR of working actively to improve the governance of the companies in which it invests. Governance aims to promote the balance of power within companies' management bodies and clarity about these powers, as well as the quality of the information provided to shareholders and respect for their rights and for the integrity of their votes. Accordingly, it is one of the factors that play an important role in the long-term survival of the corporate community, in the continuity of the strategy that companies pursue, and in the way they fulfil their responsibilities to all their stakeholders. All these factors contribute directly to strong future valuations.
- As a long-term investor, the FRR has chosen to prioritise, in its portfolio structure and the management mandates that reflect the asset allocation strategy set by the Supervisory Board, an active approach based on an analysis of the fundamental valuation outlook for equity and debt securities issued by various categories of issuers. It therefore stands to reason that investment managers would take this horizon into consideration in their application, on a case-by-case basis, of the guidelines included in the voting rights principles, in particular when assessing the appropriateness of financial transactions that affect corporate capital.
- Efforts to improve corporate governance, whether made by the companies themselves, lawmakers or regulators, have intensified in recent years and must continue. The active exercise of the FRR's voting rights must, however, realistically consider the specific conditions in each market, mainly based on the issuers' capitalisation, and the significant differences that may exist in corporate law and in terms of the corporate governance practices in the relevant countries.

All countries combined, the FRR attended 90% of shareholders meetings.

POSITIONING OF THE DEVELOPED MARKET EQUITY PORTFOLIO ON SHAREHOLDERS MEETINGS



The FRR's guidelines on the exercise of voting rights incorporate all of these factors and must therefore be broad enough to account for particular national circumstances (in France and internationally). The FRR therefore aims to capitalise on investment managers' knowledge and their ability to understand the practices in force in various financial centres. Investment managers may also rely on these practices for subjects not covered by the FRR's guidelines.

To assist it with its monitoring, the FRR is working on a system to score the quality of the governance of its portfolio of developed market equities. This new analytical approach will improve the FRR's understanding of the key elements of this portfolio's governance.

In accordance with its founding texts, the FRR's voting rights are exercised by the asset managers it has selected and they do so in the best interests of the Fund.

Voting at shareholders meetings is one of the FRR's founding principles as a socially responsible investor. Conducted through its asset managers, this allowed it to vote on 37,000 motions in 2018, spread over the 32 countries that make up its developed market equity portfolio.

The FRR is exposed to emerging market equities through units that it holds in collective investment schemes. Unlike portfolio management mandates, these UCITS have their own voting policy, which does not necessarily tally with the FRR's guidelines.

The statistics presented below illustrate the positioning of the developed market equity portfolio in 2018.

With 83% of votes in favour of (FOR) resolutions put forward at shareholders' meetings, the approval rate is down 3% on the level of 2017.

All countries combined, the FRR attended 90% of shareholders meetings.

Most of the votes against related to motions on pay, the election and appointment of directors, and operations changing the company's capital.

The FRR pays close attention to consideration of non-financial – especially ESG – criteria by boards of directors, and of TCFD recommendations, as well as to the diversity of boardrooms and executive committees at the companies in which it holds shares.

Lastly, the FRR is increasingly sensitive to external motions or those on ESG criteria, and ensures that its investment managers are committed to their consideration.

The FRR is highly alert to external motions on ESG criteria. It ensures that its investment managers are committed to their consideration, especially supporting requests to gain a better understanding of how the company's business is responding to change as well as to environmental, social and climate issues.

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RISK MANAGEMENT AND CONTROL

GOVERNANCE OF RISK MANAGEMENT

Following the pensions reform of 2010, each year the Supervisory Board determines the FRR's strategic allocation, which relies on an investment model which provides for a high level of liability hedging. The FRR's investments are mainly implemented via mandates awarded to investment managers. The FRR is also authorised to invest up to 20% of its assets directly in UCIs, excluding money market UCIs. Every month, a Risk Committee examines the performance of the portfolios and the Fund, as well as changes in the main financial and operational risks. This committee also examines investments in new asset classes and defines the applicable risk frameworks. It is chaired by a member of the Management Board and organised by the risk management teams. More broadly, it also ensures that a risk management culture is propagated within the FRR. The Risk Committee's files are then reviewed and analysed at meetings of the Management Board.

The Performance and Financial Risk Department is also invited to the FRR's various specialised committees (Investment Strategy Committee, Manager Selection Committee) and, if so required, issues an opinion. It also sits on various internal bodies (Tactical Investment Committee, Strategic Allocation Steering Committee, etc.). Lastly, it can issue opinions on the strategic allocation review, which it presents to the Supervisory Board meeting at which this review is conducted.

Every month, a Risk Committee examines the performance of the portfolios and the Fund, as well as changes in the main financial and operational risks.

FINANCIAL RISKS

Asset and liability management risk

This is the risk that the FRR's strategic allocation is not appropriate for the funding of its liabilities to the CADES and the CNAV, which are the Fund's two identified beneficiaries. The FRR has to pay EUR 2.1 billion to the CADES every year until 2024, and to repay the CNIEG balance to the CNAV from 2025. This balance amounted to EUR 4.92 billion at the end of 2018 and its amount will vary according to the FRR's performance. Over the year, the surplus decreased by EUR 1.48 billion, largely due to the performance assets, and at 31 December 2018 amounted to EUR 15.03 billion (after revaluation of the CNIEG balance), i.e. a performance of -8.97% by the surplus over 2018. This is an indicator of the FRR's ability to meet its liabilities commitments and create value for the State.

The portfolio's market risks

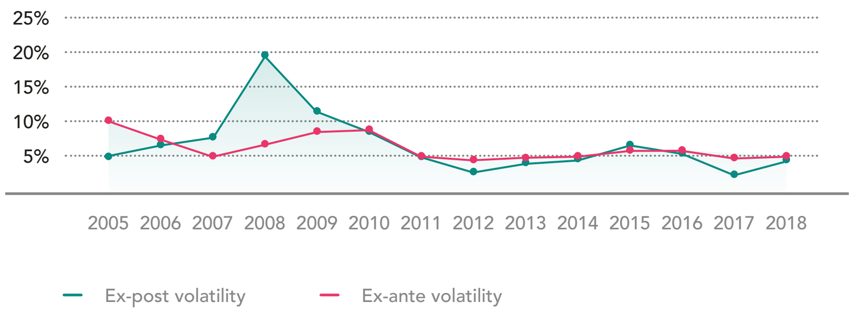
The overall portfolio's annualised volatility remains low by the FRR's past standards, whether measured ex ante (the portfolio's projected volatility) or ex post (actual volatility).

The ex-post annual volatility of the value of the FRR's assets was 4.57% in 2018 (versus 3.07% in 2017) with an annual return of -5.16% (versus 7.16% in 2017). Ex-ante volatility averaged 5.72% in 2018, compared with 5.20% the previous year.

The risk of an unfavourable change in the value of the portfolio (a loss) is assessed over a short-term horizon of one year; this is the time frame of the annual strategic asset allocation review in consultation with the FRR's governance

The average potential loss over a one-year horizon in 1% of the estimated worst-case scenarios, measured by a Conditional Value-at-Risk (CVaR) of 99% over one year, is 15.61% of the FRR's assets (versus 11.4% at end 2017), i.e. EUR 5.09 billion. This increase can be attributed to the higher volatility seen on equity markets in February and at the end of 2018.

OBSERVED ANNUAL VOLATILITIES



Risk on performance assets

Performance assets (mainly equities) present the most significant risk factor in CVaR. Their contribution to the average potential loss linked to changes in prices in 1% of the worst-case scenarios is 15.25% of the FRR's assets, i.e. EUR 4.98 billion (compared with 11.02% at the end of 2017).

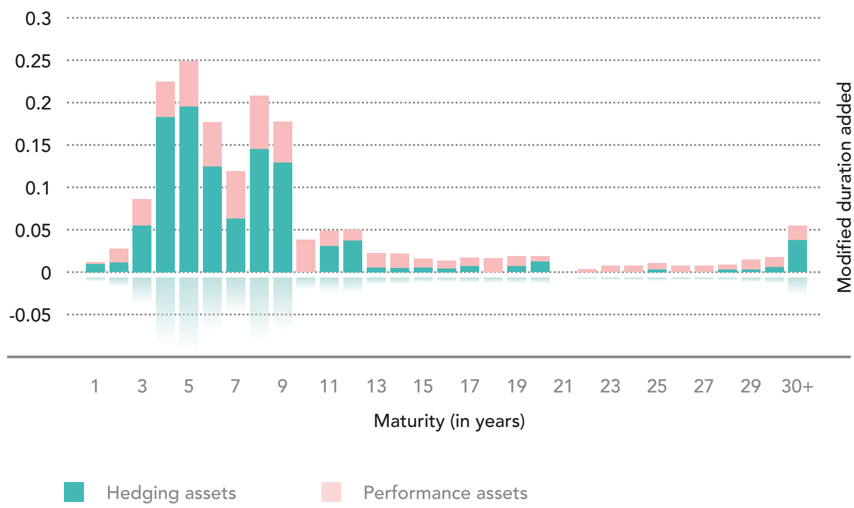
Interest rate risk

At the end of the year, the average potential loss linked to yield curve changes, measured by a one-year CVaR of 99%, was 0.4% of the FRR's hedging assets, i.e. EUR 0.1 billion on the market value of the FRR's portfolio (compared with 0.4% at the end of 2017).

The FRR's portfolio's overall modified duration rose slightly from 1.60 at the end of 2017 to 1.71[1] at the end of 2018. As such, for a uniform change of 100 bps across all yield curves, the value of the FRR's portfolio would now decrease by 1.71%, i.e. around EUR 0.56 billion. This level of modified duration takes into account the FRR's reduced exposure to interest rate risk on credit through the introduction of tactical hedging.

Symmetrically, a 100-bp rise in interest rates would reduce the FRR's CADES balance sheet liabilities by 2.82% through a fall in the value of fixed income commitments. Modified duration had been 3.31 at the end of 2017, and will continue to drop as the number of payments due to the CADES falls.

CONTRIBUTIONS TO THE PORTFOLIO'S MODIFIED DURATION BY ASSET CLASS AND MATURITY



The portfolio's credit risk

The table below shows a breakdown by rating of the FRR's fixed income assets at the end of 2017 and 2018. The bulk of these assets are invested in investment grade securities.

	AAA	AA	A	BBB	<BBB- and unrated
31/12/2017	1%	30%	25%	30%	14%
31/12/2018	3%	27%	25%	31%	14%

The overall quality of the FRR's fixed income portfolio in 2018 was similar to that of 2017, as 86% of this portfolio was invested in investment grade securities ("investment grade" category).

The FRR also established an internal rating of its fixed income portfolio in 2018. This is an average of the weighted average assets under management per rating, according to cumulative six-year default rates between 1983 and 2017 for this same rating.

The average rating of the FRR's fixed income portfolio was BBB- at 31 December 2018.

1. Including fixed income assets in the performance component

The potential loss due to the correlated change in issuers' creditworthiness[2] is also measured for the FRR's credit portfolio. At 31 December 2018, the credit portfolio's 99% CVaR over one year amounted to 5.1%. The figure was 9.3% for performance assets and 4.2% for hedging assets. Performance assets accounted for 40.65% of the credit CVaR and hedging assets 59.35%.

Counterparty risk is the risk linked to trading by investment managers in over-the-counter forward financial instruments with bank counterparties (swaps and currency forwards). It has been sharply reduced as a result of the introduction of various measures: minimum rating of authorised counterparties, margin calls, use of CLS[3] Bank's clearing services for foreign exchange, limits per counterparty. At the end of 2018 the FRR's overall exposure to counterparty risk was EUR 538 million, resulting from currency hedging.

The overall quality of the FRR's fixed income portfolio in 2018 was similar to that of 2017, as 86% of this portfolio was invested in investment grade securities.

Issuer risk diversification ratios

The regulations applicable to the FRR lay down specific risk diversification ratios with regard to issuers of equities and debt securities. In addition to these ratios, the FRR has applied, since 2011, a maximum internal exposure limit for a single issuer or OTC counterparty corresponding to 3.5% of the FRR's net assets, excluding sovereign issuers for which specific limits have been set depending on the issuer's rating, and excluding investment funds which are limited to 5% of the net assets. Since a ruling on 24 May 2016, the application of regulatory limits on issuer or counterparty concentration also take into account positions held indirectly through undertakings for collective investment.

Currency risk

The FRR's portfolio is partly invested in foreign currencies. In the strategic allocation, performance assets' currency risk is theoretically 90% hedged, excluding assets denominated in emerging currencies, for which the exchange rate is an intrinsic performance factor. Nevertheless, the FRR has some flexibility in its level of hedging, provided that its total currency risk exposure remains below 20% of its total assets (regulatory limit).

Risks to the performance tracking error for the FRR and its investment managers relative to their benchmarks

The volatility of deviations between the performances of the strategic allocation and the real allocation of the portfolio is measured by tracking error (TE) type indicators. This concept is defined as the annualised standard deviation in performance between the real portfolio and the benchmark allocation target.

On the whole, the investment managers all respected the TE limits set in the management mandates in 2018, albeit with a few minor breaches, mainly when introducing some new investment or index rebalancing processes.

2. Credit CVaR takes into account the historic probability of changes in issuers' ratings per sector, whereas market CVaR only reflects the difference in credit spreads (at stable creditworthiness) to estimate risk

3. Continuous Linked Settlement: clearing and settlement system which reduces counterparty risk

At the end of 2018, the ex-ante TE between the FRR's real portfolio and the strategic allocation was 114 bps (versus 113 bps the previous years). This takes into account the effects of selection (active management of fund managers, choice of indices different from the strategic allocation, etc.) and flexible management (tactical over or underexposure of asset classes, and adjustments to interest rate and currency risk hedging).

As well as allowing investment grade credit mandate managers to diversify into lower rated issuers, the FRR established a framework for their management by setting a limit relative to their benchmark. This is based on measuring the Duration Times Spread (DTS) of all securities in their portfolio, reflecting the level of credit risk taken through two factors: the amount received by investors in exchange for the risk taken (the spread or risk premium); and the length of exposure to this risk (the duration). A comparison of each manager's portfolio DTS against the benchmark (limited to investment grade securities) can be used to assess and limit credit exposure relative to the benchmark..

Risk on financial contracts, in particular derivatives

The FRR may only invest in financial contracts that offer a high level of security: its regulatory framework is that of the French Monetary and Financial Code and the AMF General Regulation[4] concerning French UCITS.

The FRR applies the risk monitoring principles for transactions in forward financial instruments set out in the AMF regulation of June 2018 on the method for calculating the overall risk of collective investment undertakings.

The FRR uses the commitment method to calculate the overall risk. This method consists in calculating the actual commitment of the financial contracts in relation to the Fund's total net value. Commitments at the end of 2018 equated to 16.76% of the Fund's assets. They are therefore well below the regulatory 100% limit.

Liquidity risk of assets under management

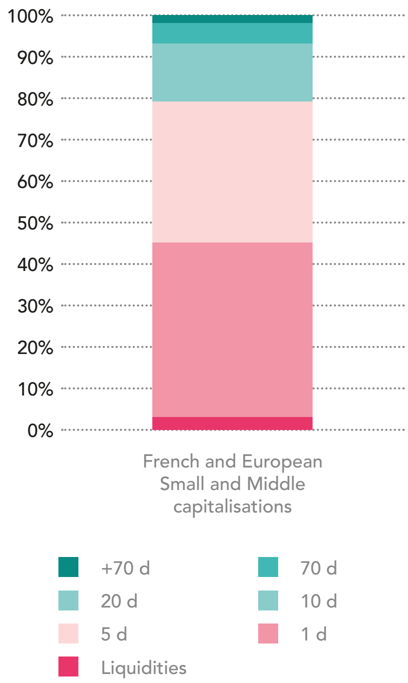
A holding limit on UCIs was introduced in the ruling of 24 May 2016, which set this at 20% (previously an internal limit).

The FRR also manages a holding limit on companies' equity: the FRR may not hold more than 3% of the shares of a single issuer, with the exception of the unlisted real estate asset and private equity portfolios.

Furthermore, 79.4% of the FRR's portfolio invested in French and European small and mid-cap equities could be sold in less than five days with no impact on the price[5] (cf. chart below).

MEASURE OF THE LIQUIDITY OF DEDICATED FUNDS INVESTED IN FRENCH AND EUROPEAN SMALL AND MID CAPS

% of outstanding French and European small and mid-caps that can be liquidated aver a given number of days, at 31/12/2018



4. Autorité des marchés financiers (French Financial markets Authority)

5. Assuming that 25% of the average daily volume of transactions observed over the last three months could be liquidated in one day without affecting the price of the stock in question

OPERATIONAL RISKS

This is the risk resulting from inadequate or failed internal processes or external events, regardless of whether they are intentional, accidental or natural.

In fulfilling its role, it is important that the FRR should be able to carry out its main activities without disruption in the event of a serious incident such as the collapse of a supplier, flooding of the Seine, fire or epidemic. The various prevention, crisis management and business continuity (crisis management procedures and organisation, backup site, analysis of essential service provider continuity measures) measures are updated regularly. The FRR checks the availability of its continuity measures by conducting an annual test of the external backup site.

All significant operational incidents affecting the FRR, whether internal or external in origin, are catalogued and analysed as and when they occur. They are analysed and monitored at Risk Committee meetings (corrective action, impact, compensation, improvement plan monitoring). In this way, the FRR also pays close attention to tracking operational incidents and regulatory sanctions affecting its management service providers, as well as its core service providers.

90% of the operational incidents analysed by the risk committee were of external origin in 2018. There were more operational incidents affecting providers of delegated management services.

The FRR's operational risk management system is also based on regular self-appraisals of risks to update risk mapping and identify residual risks. The introduction of new processes or overhaul of key processes as and when necessary (precise description of roles and responsibilities, and structuring of checks) also helps to reduce operational risks upstream.

COMPLIANCE

Ethics

The FRR ensures that its employees comply with a very strict ethical framework at all levels.

The ethical framework applicable to the three members of the Management Board is governed by the French Social Security Code. Moreover, all employees are bound by a code of conduct that lays down the rules for professional and personal conduct. Ethical, money laundering and terrorist financing risks are subject to specific due diligence checks as part of the investment manager selection process.

Investment and portfolio compliance

Compliance risk is the risk associated with non-compliance with legislative, regulatory or contractual provisions.

Ensuring compliance is an essential part of the internal control system. As such, the FRR:

- monitors managers' fulfilment of their contractual obligations each day;
- checks that the investments made through UCIs and debt funds comply with internal rules;
- ensures that its regulatory ratios are complied with (diversification between issuers, exposure to unorganised markets and markets outside the European Economic Area, holding limit on the capital of companies in the portfolio, holding limit on funds, exposure to currency risk, exposure to collective funds, various commitment ratios);
- checks that the FRR's exclusions policy is implemented and respected by its managers.

An analysis of any cases of non-compliance, impact assessments, corrective measures and possible compensation claims are presented and monitored at Risk Committee meetings.

To maximise the FRR portfolio's respect for compliance rules, the FRR has selected SEQUANTIS to look through its listed asset funds. This service provider's first work was completed on positions at 31 December 2018.

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ORGANISATION AND COSTS

ORGANISATION AND HUMAN RESOURCES

The Fonds de Réserve pour les Retraites has 49 permanent members of staff, 41 of whom are on Caisse des Dépôts contracts. All staff work under the authority of a Management Board, to which a finance department, operations and risk department, and legal and communications department report.

The organisation has not been changed recently, and the headcount has been stable at 49 since 2016. The turnover rate remained very modest in 2018, mainly due to the implementation of a policy to secure the loyalty of young workers.

THE FRR'S COSTS

Costs amounted to EUR 71.3 million in 2018, compared with EUR 101.8 million in 2017, a decrease of 30%. This change is largely due to the near absence of performance fees in 2018 (EUR 0.4 million), whereas in 2017 the fund managers' performance resulted in fees of EUR 27.9 million.

The decrease in the FRR's net assets over 2018 (EUR -1.7 billion averaged over the year, i.e. -4.6%) led to an equivalent reduction in management fees. Pro rata fees and UCITS fees were down 6.5% from EUR 41.0 million in 2017 to EUR 38.3 million. With a total of EUR 45.8 million if we include overlay fees and securities expenses, the FRR's financial management accounted for 64% of total expenditure, and remains by far the biggest item. It had made up 74% of costs in 2017.

Back office and custody expenses relate to services outsourced to Caisse des Dépôts, some of which it then subcontracts under its own responsibility. They amounted to EUR 11.0 million, compared with EUR 10.7 million in 2017, but will not be known with certainty until later in 2019.

Lastly, other costs, within a restrictive budget (payroll, real estate, IT, other overheads, etc.) were down slightly, to EUR 14.4 million from EUR 14.7 million in 2017. This decrease stemmed from the reduction in administrative management costs, which are being controlled better. In total, restrictive expenses remain low and equate to just four basis points of assets under management.

GOVERNANCE

SUPERVISORY BOARD

at 31 March 2019

Interim Chairman

Jean-Louis Beffa

Members of the National Assembly

Eric Woerth,
alternate Charles de Courson

Belkhir Belhaddad,
alternate Laurent Pietraszewski

Members of the Senate

Jérôme Bascher

Yvon Collin

Alternate Dominique de Legge

Qualified person

Jean-Louis Beffa, Vice-Chairman of the Supervisory Board

Representatives of social security beneficiaries appointed by nationally representative trade unions

Confédération Générale du Travail

Pierre-Yves Chanu, Vice-Chairman of the Supervisory Board,
alternate Hélène Guerra

Confédération Générale du Travail - Force Ouvrière

Philippe Soubirous,
alternate Philippe Pihet

Confédération Française Démocratique du Travail

Frédéric Sève,
alternate Virginie Aubin

Confédération Française des Travailleurs Chrétiens

Isabelle Sancerni,
alternate Pierre-Alexis Van Den Boomgaerde

Confédération Française de l'Encadrement – CGC

Pierre Roger,
alternate Marie-Christine Oberst

Representatives of self-employed and independent workers

Mouvement des Entreprises de France

Arnaud Chneiweiss,
alternate Franck Duclos

Émilie Martinez,
alternate Florent Sarrazin

Alain Leclair,
alternate Jean-Claude Guéry

Confédération Générale des PME

Alain Duffoux,
alternate Georges Tissié

Union Professionnelle Artisanale

Catherine Foucher,
alternate Michel Bressy

Representatives of the Minister for Social Security appointed by order of the Minister for Social Security

Mathilde Lignot-Leloup,
alternate Pierre Prady

Morgan Delaye,
alternate Isabelle Touya

Representative of the Minister for the Economy, Finance and Industry appointed by order of the Minister for the Economy, Finance and Industry

Sébastien Raspiller,
alternate Lionel Corre

Representative of the Minister for the Budget, appointed by order of the Minister for the Budget

Amélie Verdier,
alternate Marie Chanchole

EXECUTIVE BOARD

Chairman

Eric Lombard

Members of the Executive Board

Yves Chevalier

Olivier Rousseau

MANAGER SELECTION COMMITTEE

Chairman

Olivier Rousseau

Members of the manager selection committee

Catherine Guinefort, former fund manager with an asset management company

Thierry Coste, Member of the College of the ACPR (Autorité de contrôle prudentiel et de résolution).

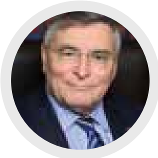
Jean-François Marie, former director of a finance company

Marcel Nicolaï, former managing partner of a management company

MANAGEMENT STRUCTURE CHART

at 31/12/2018

SUPERVISORY BOARD



Interim Chairman:
JEAN-LOUIS BEFFA
Vice-Chairmen: Jean-Louis Beffa, Pierre-Yves Chanu

EXECUTIVE BOARD

Chairman:
ERIC LOMBARD

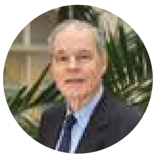
Member:
YVES CHEVALIER

Member:
OLIVIER ROUSSEAU

Assistant: Brigitte Dahan

MANAGER SELECTION COMMITTEE

Chairman: **OLIVIER ROUSSEAU**



MEMBER:
THIERRY COSTE

MEMBER:
JEAN-FRANÇOIS MARIE

MEMBER:
CATHERINE GUINEFORT

MEMBER:
MARCEL NICOLAÏ

INTERNAL ACCOUNTING

PATRICK HÉDÉ

Thierry Tacinelli,
Marie-Christine Huguet

OPERATIONS AND RISK DIVISION

MICHEL CADIO
Assistant: Nathalie Lalande

HUMAN RESOURCES AND MANAGEMENT CONTROL DEPARTMENT

JÉRÔME HOUDBINE

Nicolas Umbach-Bascone,
Natacha Pézeron

INFORMATION SYSTEMS, ORGANISATION AND PROJECTS

SABINE BOTRAS

Jean-Philippe Bellus,
Catherine Sanglar

FINANCIAL RISK MANAGEMENT AND PERFORMANCE DEPARTMENT

PIERRE LEYGUE

Financial risk unit
Armelle Ledru, Kevin Mercier,
Jérôme Nedelec

Performance measurement unit
Abdelouahid Akarkoub,
Joanne Garrick, Cassandre Hamon

MIDDLE OFFICE

BERNARD PARISET

Operational Supervision of Mandates
David Marques, Xavier Joret,
Miriame Moussa

Internal Accounting Controls
Mordi Kadosch, Alain Brivet

OPERATIONAL RISKS

MICHEL CADIO

and another member of staff

FINANCE DIVISION

SALWA BOUSSOUKAYA-NASR
Assistant: Karine Bocquet

DELEGATED MANAGEMENT DEPARTMENT

CRISTEL HAUTION SARAC

Manager Selection
Hervé Seignol et Duc Tien Bui Van

Responsible Investment
Mickaël Hellier

Mandate Supervision
Victoire Costa de Beauregard, David de Souza Peixoto, Antoine Dupaquis, Patricia Glon, Jeremy Willems, Maxime Sanglar

ASSET ALLOCATION DEPARTMENT

PIERRE-OLIVIER BILLARD

Deputy
Christophe Roger

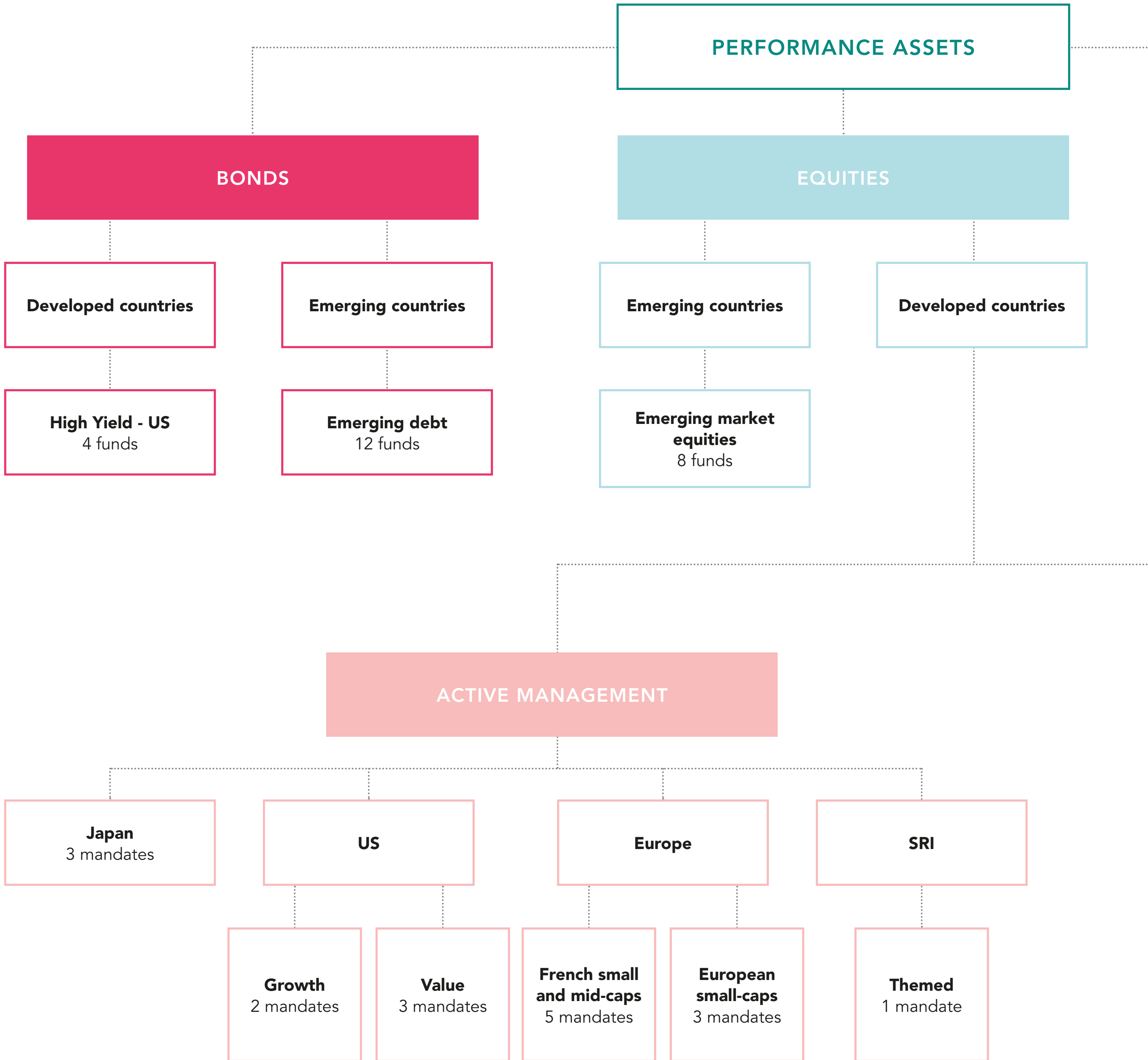
Cyrille Henry-Bonniot,
Pauline Mercier, Thérèse Quang,
Johann Tourne

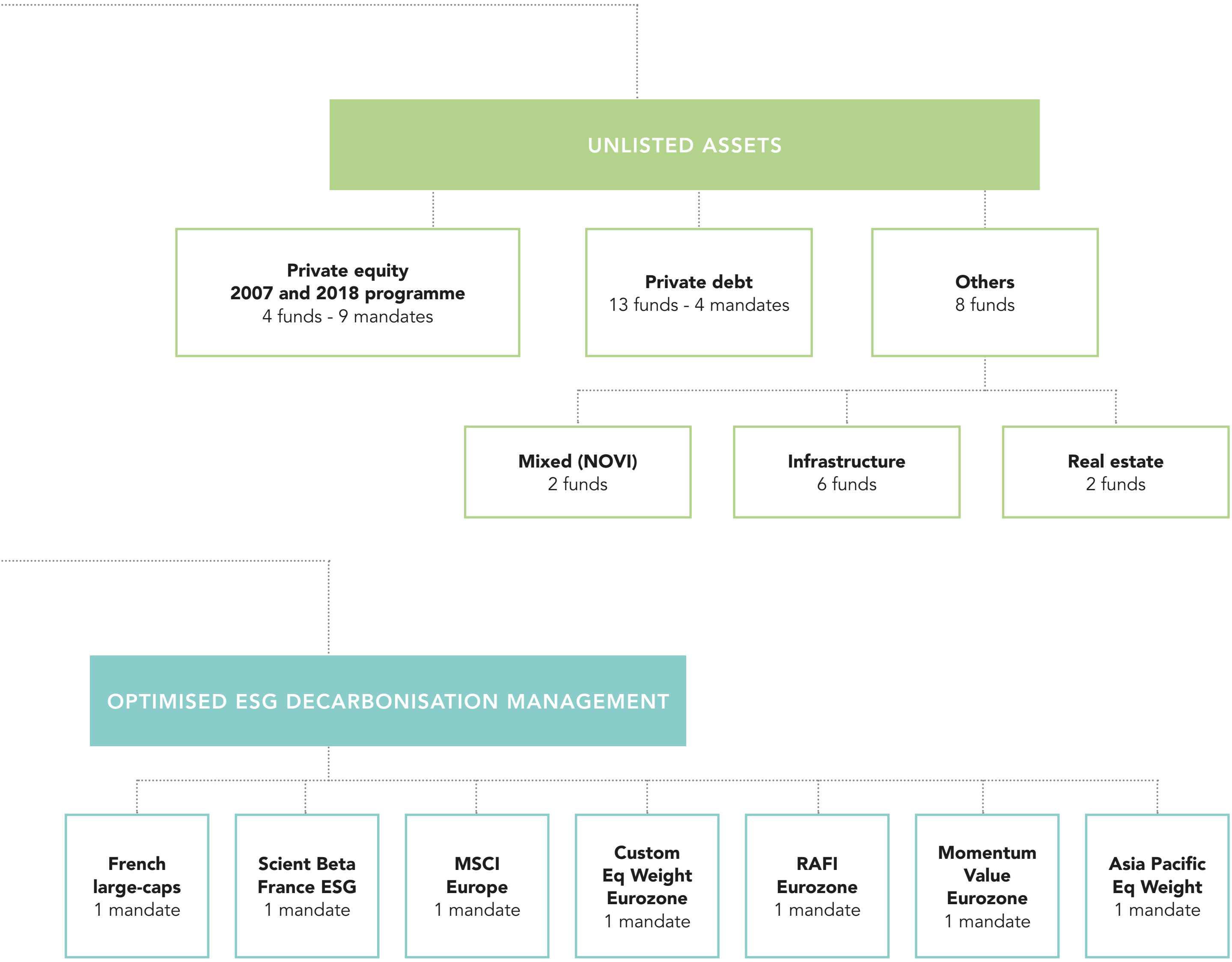
LEGAL AND COMMUNICATION DIVISION

ANNE-MARIE JOURDAN
Assistant: Brigitte Dahan
Marie-Catherine Duchamp, Alexa Sudici, Marine Jourdan

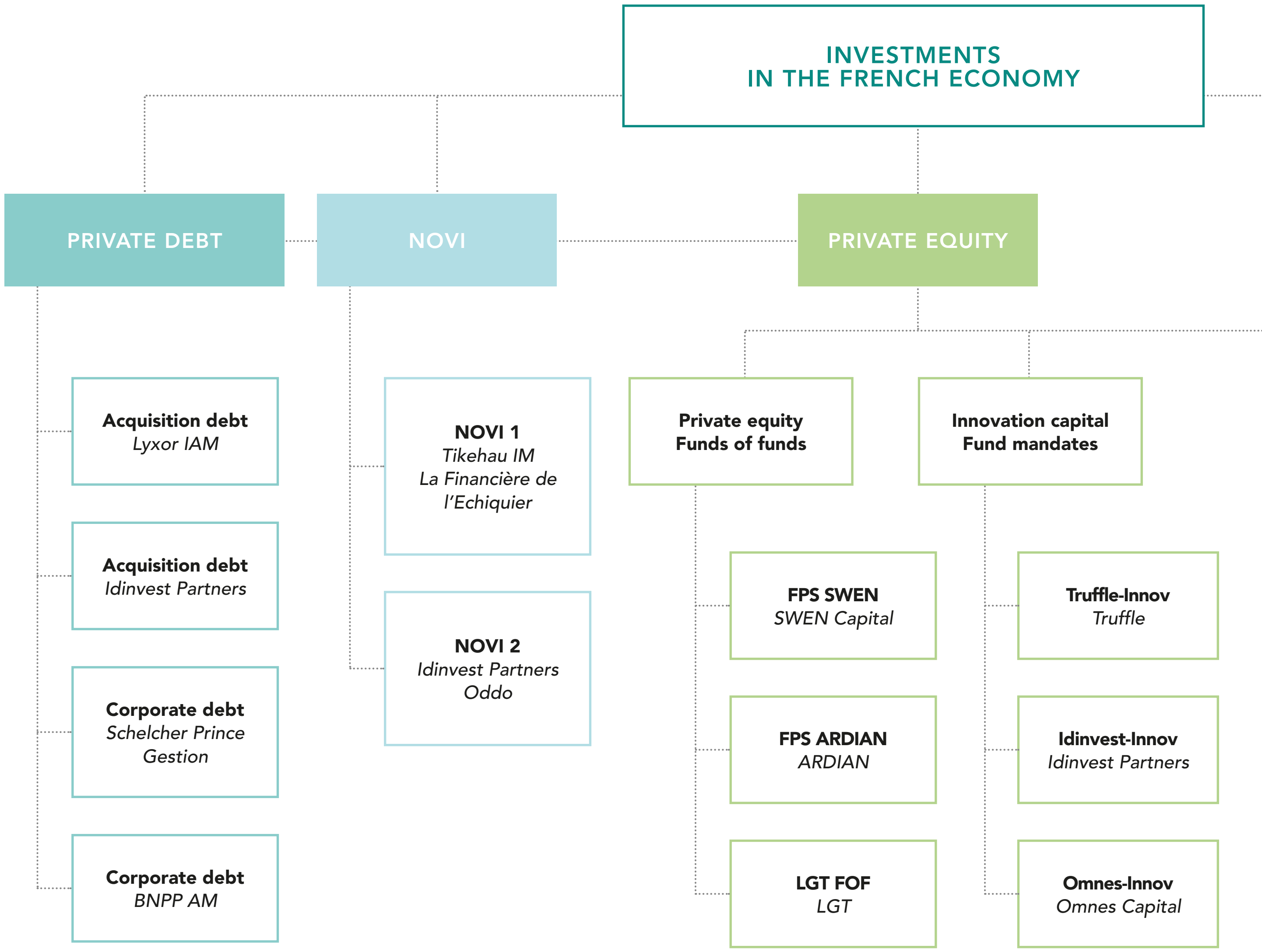
MAPPING OF THE FRR'S PORTFOLIO

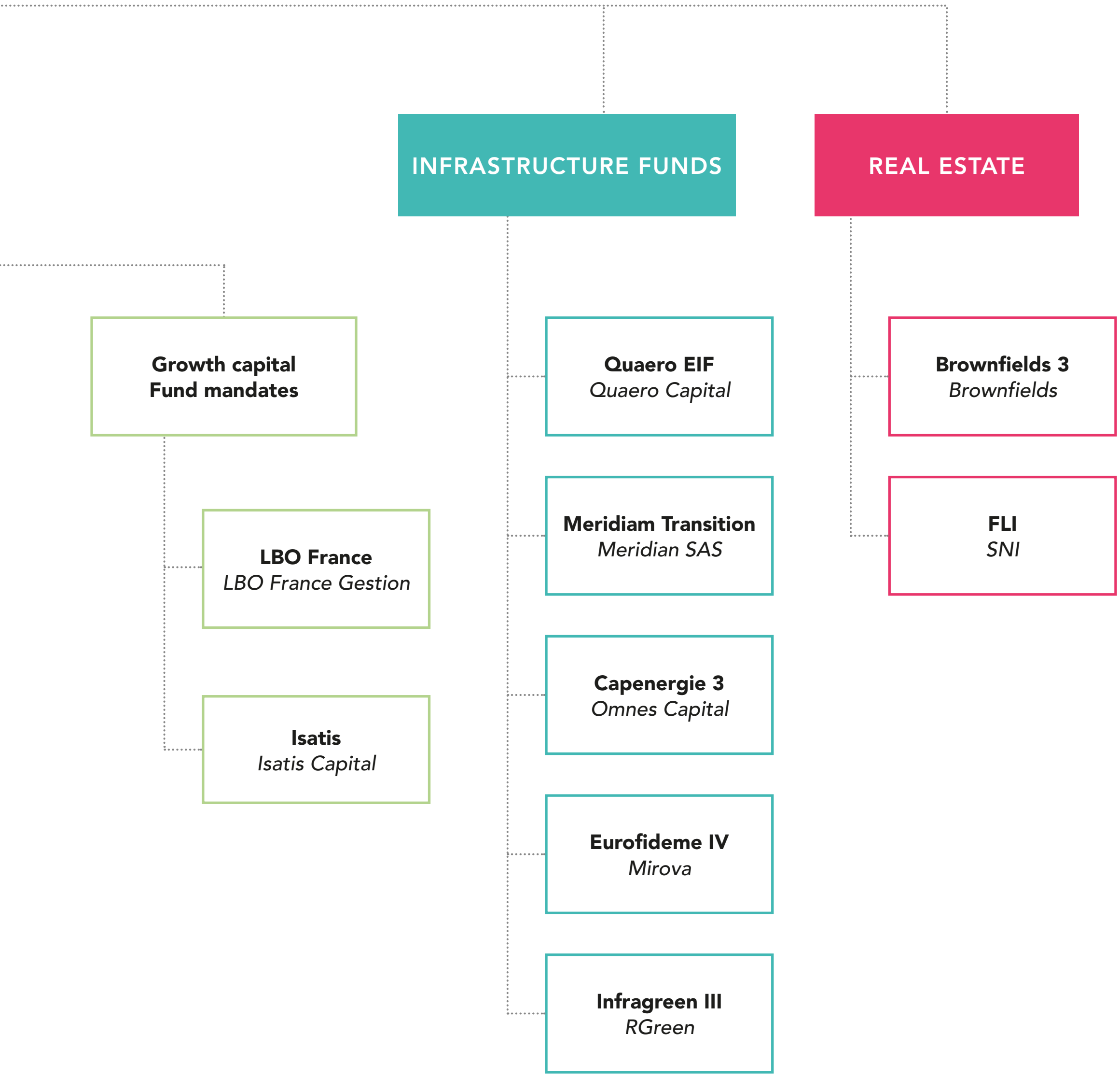
Mapping of performance assets as at 31/12/2018 (Tangible investments)



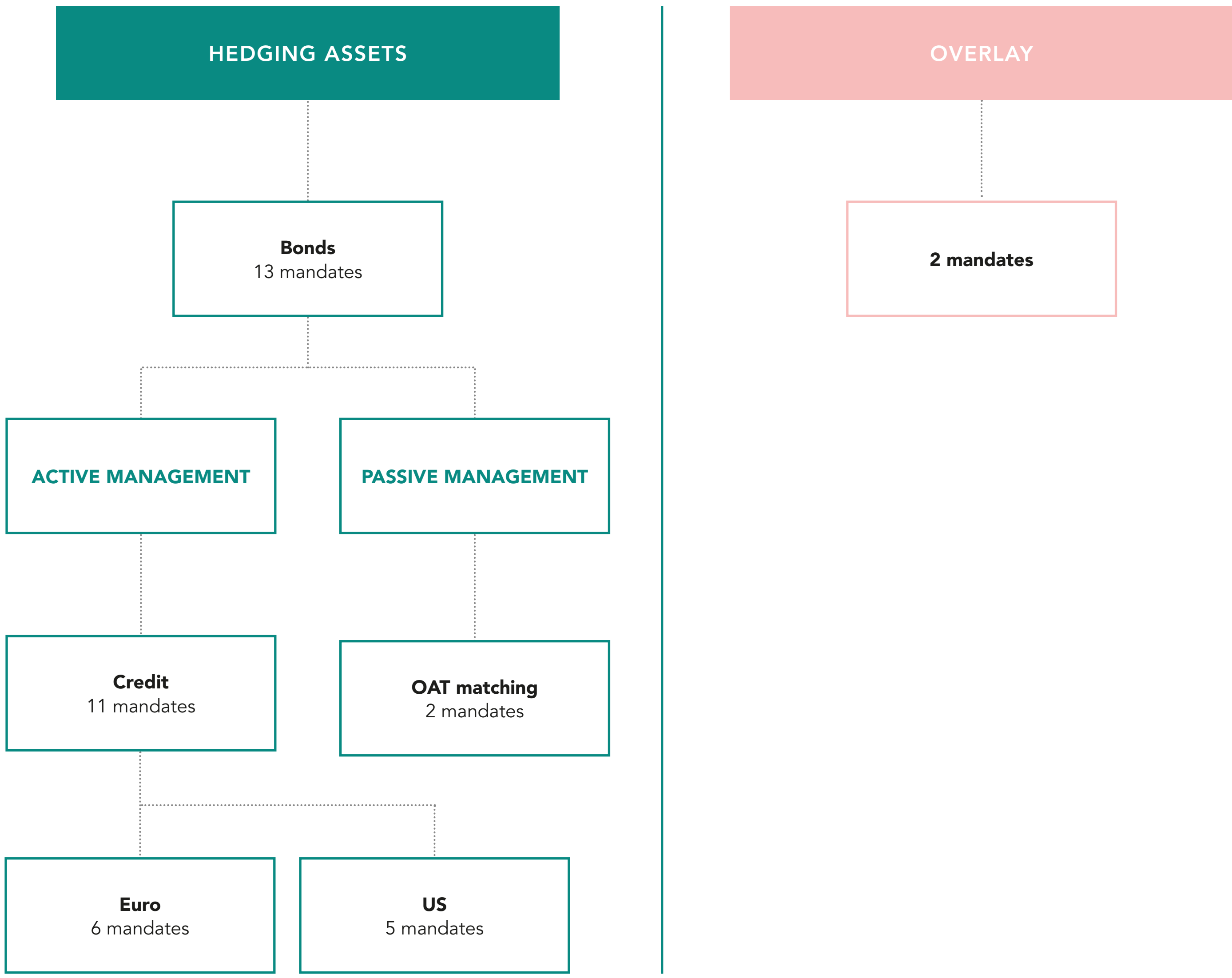

UNLISTED ASSETS
Private equity
2007 and 2018 programme
4 funds - 9 mandates
Private debt
13 funds - 4 mandates
Others
8 funds
Mixed (NOVI)
2 funds
Infrastructure
6 funds
Real estate
2 funds
OPTIMISED ESG DECARBONISATION MANAGEMENT
French
large-caps
1 mandate
Scient Beta
France ESG
1 mandate
MSCI
Europe
1 mandate
Custom
Eq Weight
Eurozone
1 mandate
RAFI
Eurozone
1 mandate
Momentum
Value
Eurozone
1 mandate
Asia Pacific
Eq Weight
1 mandate

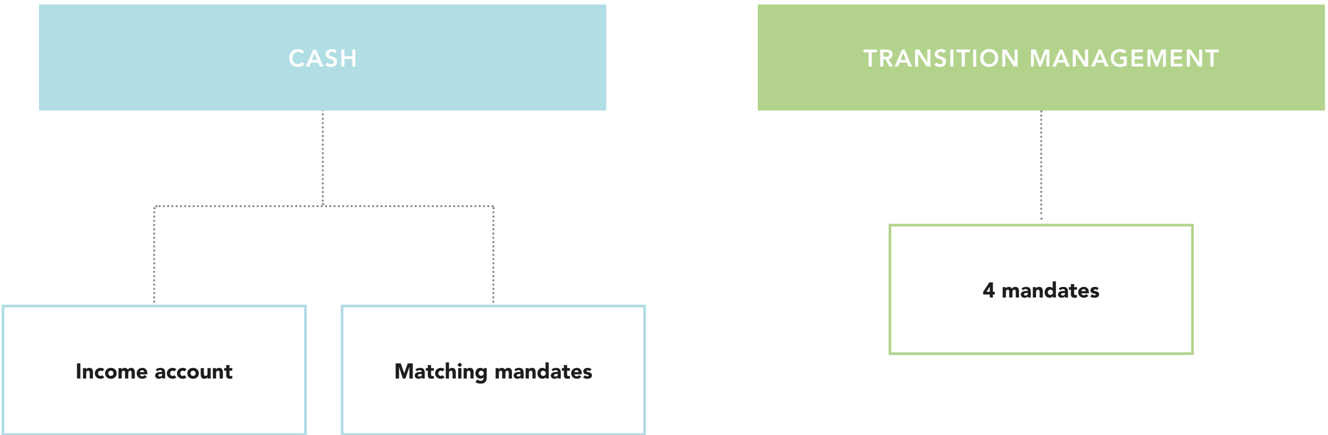
Mapping of investments in the French economy as at 31/12/2018




INFRASTRUCTURE FUNDS
REAL ESTATE
Growth capital
Fund mandates
LBO France
LBO France Gestion
Isatis
Isatis Capital
Quaero EIF
Quaero Capital
Meridiam Transition
Meridian SAS
Capenergie 3
Omnes Capital
Eurofideme IV
Mirova
Infragreen III
RGreen
Brownfields 3
Brownfields
FLI
SNI

Mapping of hedging assets, overlay, transition management and cash as at 31/12/2018




CASH
Income account
Matching mandates
TRANSITION MANAGEMENT
4 mandates

THE FRR'S INVESTMENT MANAGEMENT COMPANIES

THE FRR'S INVESTMENT MANAGEMENT COMPANIES AT 31 DECEMBER 2018

2005FRR05
PRIVATE EQUITY

- Access Capital Partners (European small and mid-caps fund)
- Ardian Investment (AXA Private Equity Europe), (Secondary LBO fund)
- Neuberger Berman Europe Limited (North American diversified fund)
- Pantheon Ventures (UK) LLP (European diversified fund)

2011FRR07
ACTIVE MANAGEMENT MANDATES – LOT 1 – SRI EQUITIES-THEME-BASED COLLECTIVE FUND MANDATES

- BNP Paribas Asset Management

2013FRR01
ACTIVE MANAGEMENT MANDATES – LOT 1 – EUROPEAN SMALL-CAPS

- Fidelity Gestion SAS (Fil Gestion)
- Montanaro Asset Management
- Threadneedle Asset Management Limited

2013FRR01
ACTIVE MANAGEMENT MANDATES – LOT 2 – FRENCH SMALL AND MID-CAPS

- CM-CIC Asset Management
- CPR Asset Management
- Generali Investments Europe
- Oddo Asset Management
- Sycomore Asset Management

2013FRR02
ACTIVE MANAGEMENT MANDATES – LOT 1 – US LARGE AND MID-CAPS - VALUE

- Brightsphere Investment Group
- Robeco Institutional Asset Management B.V.
- Wells Fargo Securities International Limited

2013FRR02
ACTIVE MANAGEMENT MANDATES – LOT 2 – US LARGE AND MID-CAPS - GROWTH

- JP Morgan Asset Management (UK) Limited
- T.Rowe Price International Limited

2013FRR05
MANAGEMENT MANDATES – JAPANESE EQUITIES

- Capital International Limited
- JP Morgan Asset Management (UK) Limited
- Schroder Asset Management Limited

2014FRR03
OVERLAY MANAGEMENT MANDATES

- Russell Implementation Services (UK) Limited
- State Street Global (France) Advisors

2015FRR01
ACTIVE MANAGEMENT MANDATES – CORPORATE BONDS – LOT 1 – EURO-DENOMINATED CORPORATE BONDS

- Allianz Global Investors GmbH
- AXA Investment Managers
- HSBC Global Asset Management
- Insight Investment Management (Global) Limited
- Kempen Capital Management N.V.
- La Banque Postale Asset Management

2015FRR01
ACTIVE MANAGEMENT MANDATES – CORPORATE BONDS – LOT 2 – US DOLLAR-DENOMINATED CORPORATE BONDS

- AXA Investment Managers (AXA Investment Managers Inc. – USA)
- BFT Investment Managers (MacKayShields LLC, USA)
- BlackRock Investment Management (UK) Limited (BlackRock Financial Management Limited – USA)
- Morgan Stanley Investment Management Limited (Morgan Stanley Investment Management Inc. – USA)
- Wells Fargo Securities International Limited (Wells Capital Management, Inc. – USA)

2015FRR02
OPTIMISED MANAGEMENT MANDATES – EQUITIES – WITH AN ESG APPROACH

- Amundi Asset Management
- Robeco Institutional Asset Management B.V.
- Candriam Luxembourg

2016FRR01
BEST EXECUTION ANALYSIS SERVICE

- Trade Analytics (UK) Limited

2016FRR02
DEDICATED FUND MANDATES – FRENCH COMPANIES' PRIVATE DEBT – LOT 1 – PRIVATE PLACEMENTS

- BNP Paribas Asset Management
- Schelcher Prince Gestion

2016FRR02

DEDICATED FUND MANDATES - FRENCH COMPANIES' PRIVATE DEBT - LOT 2 - ACQUISITION DEBT

- Idinvest Partners
- Lyxor International Asset Management

2016FRR03

DEDICATED FUND MANDATES - SELECTION OF PRIVATE EQUITY FUNDS

- Ardian
- Swen Capital Partners
- LGT Capital Partners

2016FRR04

ANALYSIS SERVICE FOR NON-FINANCIAL RISKS TO THE FRR'S PORTFOLIO

- Vigeo SAS

2016FRR05

DEDICATED FUND MANDATES - INNOVATION CAPITAL FRANCE

- Idinvest
- Truffle Capital
- Omnes Capital

2017FRR01

SERVICE ANALYSING AND MEASURING THE FRR PORTFOLIO'S ENVIRONMENTAL FOOTPRINT

- S&P Trucost (UK) Limited

2017FRR02

MANAGEMENT MANDATES - OAT MATCHING

- AXA Investment Managers
- Amundi

2017FRR05

TRANSITION OPERATIONS MANAGEMENT

- Blackrock Advisors (UK) Ltd
- Russell Implementation Services Ltd

2018FRR01

SELECTION OF LEGAL SERVICE PROVIDER

- Kramer Levin Naftalis & Frankel LLP
- Gide Loyrette Nouel

THE FRR'S INVESTMENT MANAGEMENT COMPANIES AT 31 MARCH 2019

2017FRR03

DEDICATED FUND MANDATES – DEVELOPMENT CAPITAL FRANCE

- LBO France

2018FRR04

SELECTION OF A LOOK-THROUGH SERVICE PROVIDER

- Sequantis LT

2018FRR06

THE FRR'S WRITTEN COMMUNICATIONS

- Luciole

ONGOING CALLS FOR TENDERS

2018FRR03

RESPONSIBLE ACTIVE MANAGEMENT MANDATES - US EQUITIES - LOT 1: US EQUITIES, ACTIVE MANAGEMENT, VALUE

2018FRR03

RESPONSIBLE ACTIVE MANAGEMENT MANDATES - US EQUITIES - LOT 1: US EQUITIES, ACTIVE MANAGEMENT, GROWTH

2018FRR03

RESPONSIBLE ACTIVE MANAGEMENT MANDATES - US EQUITIES - LOT 1: US EQUITIES, ACTIVE MANAGEMENT, SMALL CAPS

2018FRR02

RESPONSIBLE ACTIVE MANAGEMENT MANDATES – LOT 1: EUROPEAN SMALL CAPS

2018FRR02

RESPONSIBLE ACTIVE MANAGEMENT MANDATES – LOT 2: FRENCH SMALL CAPS

2019FRR01

RESPONSIBLE ACTIVE MANAGEMENT MANDATES – JAPANESE EQUITIES

- 6 -

FINANCIAL INFORMATION

FINANCIAL AND ACCOUNTING SUMMARY

In 2018 the FRR recorded a profit of EUR 945 million, following a profit of EUR 2.392 billion in 2017.

The French Social Security Financing Law for 2011 provides that with effect from 1 January 2011 the FRR must pay EUR 2.1 billion to the Caisse d'Amortissement de la Dette Sociale (CADES) every year until 2024.

The fund paid this amount to the CADES on 25 April 2018, recognising an equivalent reduction in its permanent capital.

The CNIEG's contribution is valued at EUR 4.918 billion, a decrease of EUR 259 million. Financial assets, transferable securities and available funds amount to EUR 32.6 billion.

The same applies to the valuation differences recognised in the balance sheet, which reflect the difference between the acquisition value of assets and their market value at 31 December. These positive differences, which had been EUR 3.504 billion at 31 December 2017, were down EUR 2.399 billion to EUR 1.105 billion at the closing date.

The 2018 financial result showed a profit of EUR 1.013 billion, following a profit of EUR 2.488 billion in 2017.

An analysis of the financial result shows the contribution of each product or cost category to the overall result for the financial year.

Income on transferable securities was stable at EUR 682.4 million, versus EUR 681.2 million in 2017.

Foreign exchange transactions produced a loss of EUR 353.2 million, whereas they had delivered a profit of EUR 649 million in 2017.

Forward financial instruments recorded a loss of EUR 148.2 million, compared with a gain of EUR 303.2 million in 2017.

Sales of financial instruments generated a surplus of EUR 902.3 million, compared with EUR 1.3659 billion in 2017.

Income from option hedging was positive EUR 85.6 million, compared with a loss EUR 123.9 million in 2017.

BALANCE SHEET AT 31 DECEMBER 2019

ASSETS	2018			2017
	Gross	Depreciation and amortisation	Net	Net
FIXED ASSETS				
Intangible assets				
Other intangible assets	5,728,779.44	-4,511,493.17	1,217,286.27	1,253,987.27
Tangible fixed assets				
Plant and equipment	12,712.31	-12,712.31	0.00	0.00
Total I	**5,741,491.75**	**-4,524,205.48**	**1,217,286.27**	**1,253,987.27**
CURRENT ASSETS				
Receivables from operations	0.00		0.00	2,824.04
Sundry receivables				
Financial instruments	21,394,059.82		21,394,059.82	32,570,907.77
Foreign exchange transactions	9,629,227,460.24		9,629,227,460.24	8,319,279,524.90
Forward financial instruments	225,118,237.56		225,118,237.56	464,959,495.82
Financial instruments				
Equities and similar securities	8,724,505,862.63		8,724,505,862.63	10,523,266,188.45
Bonds and similar securities	13,252,939,992.48		13,252,939,992.48	14,715,863,582.41
Transferable debt securities	672,455,733.71		672,455,733.71	363,277,329.42
Undertakings for Collective Investment	9,174,187,758.12		9,174,187,758.12	9,365,433,034.56
Cash	740,826,101.81		740,826,101.81	925,451,294.50
Prepaid expenses	263,869.31		263,869.31	178,244.87
Total II	**42,440,919,075.68**	**0.00**	**42,440,919,075.68**	**44,710,282,426.74**
GRAND TOTAL (I + II)	**42,446,660,567.43**	**-4,524,205.48**	**42,442,136,361.95**	**44,711,536,414.01**

LIABILITIES	2018	2017
EQUITY CAPITAL		
Allocations	2,870,680,121.97	2,870,680,121.97
Reserves	10,135,246,540.53	7,743,212,890.43
Valuation difference	1,105,204,427.81	3,504,208,870.35
Profit/(loss) for the financial year	945,245,881.15	2,392,033,650.10
Total I	**15,056,376,971.46**	**16,510,135,532.85**
PAYABLES		
Long-term borrowings		
Extraordinary contribution to CNIEG	4,918,722,333.49	5,177,275,169.64
CADES debt - 1 year	2,100,000,000.00	2,100,000,000.00
CADES debt + 1 year	10,500,000,000.00	12,600,000,000.00
Payables from operations	74,987,269.70	75,916,985.52
Sundry payables		
Financial instruments	14,881,190.55	22,405,341.77
Foreign exchange transactions	9,748,092,952.58	8,193,471,573.61
Forward financial instruments	29,075,644.17	32,331,810.62
Prepaid income	0.00	0.00
Total II	**27,385,759,390.49**	**28,201,400,881.16**
GRAND TOTAL (I + II)	**42,442,136,361.95**	**44,711,536,414.01**

INCOME STATEMENT AT 31 DECEMBER 2018

EXPENSES			
	2018		2017
OPERATING EXPENSES			
Outside services		69,786,338.51	100,303,906.33
Remuneration – management companies	42,064,388.22		
CDC Administrative management	23,333,620.48		
Others	4,388,329.81		
Taxes, duties and similar		83,880.62	82,218.00
Tax on wages	83,880.62		
Staff expenses		928,342.05	927,792.24
Wages and salaries	447,424.38		
Social security contributions	480,917.67		
Depreciation allowance		459,164.00	515,124.40
Depreciation allowance	459,164.00		
Total I	**71,257,725.18**	**71,257,725.18**	**101,829,040.97**
FINANCIAL COSTS			
Financial expenses		2,066,779,144.70	1,532,874,704.68
Forex losses	780,338,541.68		
Expenses on forward financial instruments	479,686,096.50		
Costs relating to sales of financial instruments	376,256,355.44		
Expenses on options	259,766,457.22		
Other financial expenses	2,618,494.11		
Allocation of share of income to CNIEG	168,113,199.75		
Total II	**2,066,779,144.70**	**2,066,779,144.70**	**1,532,874,704.68**
EXTRAORDINARY EXPENSES			
Extraordinary expenses		0.00	0.00
On management operations	0.00		
Total III	**0.00**	**0.00**	**0.00**
Profit/(loss) for the financial year		945,245,881.15	2,392,033,650.10
GRAND TOTAL		**3,083,282,751.03**	**4,026,737,395.75**

INCOME			
	2018		2017
OPERATING INCOME			
Outside services		2,924,283.74	5,388,103.26
Others	2,924,283.74		
Total I	**2,924,283.74**	**2,924,283.74**	**5,388,103.26**
FINANCIAL INCOME			
Financial income		3,080,057,533.13	4,021,151,197.40
Income	682,380,972.65		
Forex gains	427,143,742.20		
Income from forward financial instruments	331,471,178.98		
Proceeds of sales of financial instruments	1,278,584,828.98		
Income on options	345,316,540.12		
Other financial income	15,160,270.20		
Total II	**3,080,057,533.13**	**3,080,057,533.13**	**4,021,151,197.40**
EXTRAORDINARY INCOME			
Extraordinary income		300,934.16	198,095.09
On management operations	300,934.16		
Total III	**300,934.16**	**300,934.16**	**198,095.09**
GRAND TOTAL		**3,083,282,751.03**	**4,026,737,395.75**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

ACCOUNTING METHODS AND RULES USED

The FRR's financial statements are prepared using generally applicable principles based on the single chart of accounts for social security organisations and opinion no. 200307 of 24 June 2003 of the CNC, as amended by opinion no. 200810 of 5 June 2008.

General accounting conventions have been applied in compliance with the principles of prudence, consistency, sincerity and fairness of view in accordance with the following underlying assumptions: going concern, consistency of accounting methods and independence of financial years.

As the FRR's accounts are stated in euro, the foreign currency positions of the FRR's mandates are valued using their equivalent value calculated using WM/Reuters closing spot rates.

Transactions are recorded on the trading date. Since 30 November 2006, transactions involving transferable securities have been booked with charges included, in accordance with the CNC's opinion of 31 March 2006.

The weighted average cost price rule (WACP) is applied for realised capital gains or losses on securities, and the FIFO (first in first out) rule is applied to futures.

Asset values are calculated on the basis of positions held on Friday evening or the last TARGET business day of the week, and on the last TARGET business day of the month. The default price is the closing price on the issuer's benchmark market, on a case by case basis on the principal market of listing.

If no price is available on the valuation day, the asset is valued using the last known price, or in accordance with a predetermined procedure if using an old price.

Bonds are valued on the principle of a BID quotation based on prices obtained from various financial services providers.

Interest accrued at the time of purchase or sale, as well as end of period interest, is expressed by reference to the value date. This accounting method is linked to the recognition of transactions from the trading date.

BTF and BTAN securities are valued using the interest rate published by the Banque de France on the valuation day.

Transferable debt securities and similar securities that are not traded in large volumes are valued using an actuarial method based on a zero coupon rate of the same maturity increased, where applicable, by an issuer spread.

UCIs are valued using the last known net asset value.

Private equity funds are valued using the last valuations provided by the fund managers.

Securitisation entities are valued on the basis of the most recent valuations indicated by the managers if they are below their purchase cost, or at par if higher.

Forward financial instruments traded on regulated or similar markets and associated liabilities are valued using the settlement price.

Forward currency positions are valued both by linear discounting of the initial contango/backwardation amount and by valuing the currency position using WM/Reuters closing spot rates.

Swaps are valued using the prices provided by the counterparty, under the control of the fund manager, and are also subject to the various control levels put in place by the FRR.

Unrealised gains and losses and unrealised exchange differences are recognised in the balance sheet as valuation differences, and do not affect the Fund's result.

Withholding tax recovered is recognised as and when received.

Realised capital gains and losses and definitive exchange differences are recognised in the expenses and income accounts.

Tangible assets are depreciated on a straight-line basis over three years.

Intangible assets, linked mainly to the right of use of the SPIRRIS software and related maintenance, are amortised on a straight-line basis over five years.

The extraordinary, flat-rate, full-discharge contribution mentioned in Article 19 of Law no. 2004-803 of 9 August 2004 and paid to the CNIEG by the FRR in accordance with a decision of the Haut Conseil Interministériel de la comptabilité des organismes de sécurité sociale dated 20 April 2005, is recognised in the FRR's accounts as a debt.

In accordance with amendment no. 1 of 20 March 2009 to the agreement of 12 July 2005, entered into by the FRR and the CNAVTS, the FRR henceforth shall determine the share attributable to the balance on an annual basis.

The fees paid to management companies are based on a fee scale that assigns a number of basis points per tranche of assets under management.

Some mandates receive variable performance fees in the case of outperformance, defined as the positive mathematical difference between the performance of the portfolio and that of its benchmark. These fees are paid at the end of the investment mandate provided that the outperformance is confirmed over the relevant periods and subject to the contractually defined limits.

PRESENTATION OF THE FINANCIAL STATEMENTS

For ease of reading, the financial statements have been organised in a number of sections:

Balance sheet

The various items are presented as net values, taking into account the depreciations applied for fixed assets and valuation differences for financial assets and liabilities.

"Receivables" and "Payables on financial instruments" comprise transactions in transferable securities by investment companies for which settlement is pending (matured coupons, purchases and sales awaiting settlement).

"Receivables" and "Payables on forex transactions" comprise current foreign exchange transactions, whether spot or forward.

"Receivables" and "Payables on forward financial instruments" comprise current transactions related to futures (margins payable or receivable, security deposits), option premiums and swaps (payable or receivable flows).

"Financial instruments" comprise four categories: equities and equity equivalents, bonds and bond equivalents, transferable debt securities, undertakings for collective investment, including venture capital funds and securitisation entities. They are shown in the balance sheet at their market value, taking into account coupons accrued on bonds, transferable debt securities and securitisation entities.

"Cash" comprises all the FRR's cash accounts in euro and foreign currencies (valued at their price on the last day of the financial year), and interest accrued on these interest-bearing current and deposit accounts.

"Equity capital" comprises:

- "Allocations" corresponding to the balance of employers' contributions received by the FRR since its inception in 1999, less the sums allocated to the CADES;
- "Reserves" representing the accumulated income generated by the Fund since its inception, less the sums allocated to the CADES debt;
- "Valuation difference" representing unrealised capital gains and losses recognised on all assets at the closing date;
- profit/(loss) for the financial year.

The "Extraordinary contribution to CNIEG" comprises:

- the contribution paid to the FRR by the Caisse Nationale des Industries Electriques et Gazières (CNIEG) as part of Article 19 of Law no. 2004-803 of 9 August 2004, whose conditions of payment to the FRR by the CNIEG were laid down by the Order of the Minister for Social Solidarity, Health and Family on 31 January 2005. This order set the sum that had been paid to the FRR by the CNIEG during the second quarter of 2005 at EUR 3,060,000,000;
- interest paid to the FRR by the CNIEG in accordance with the Order of 31 January 2005;
- the share of the income for the financial year, net of charges, corresponding to the allocation of the share of the FRR's income to the balance paid by the CNIEG;
- the share of unrealised capital gains or losses on the closing date.

The "CADES debt" is shown as "debt - 1 year" and "debt + 1 year".

ADDITIONAL INFORMATION RELATING TO THE ASSETS

Fixed assets

TABLE OF FIXED ASSETS AND DEPRECIATION

Headings and items	FIXED ASSETS			
	Gross book value – opening balance	Increase	Decrease	Gross book value – closing balance
Intangible assets	5,306,316.44	422,463.00	0.00	5,728,779.44
Total I	**5,306,316.44**	**422,463.00**	**0.00**	**5,728,779.44**
Tangible fixed assets	12,712.31	0.00	0.00	12,712.31
Total II	**12,712.31**	**0.00**	**0.00**	**12,712.31**
Grand Total	**5,319,028.75**	**422,463.00**	**0.00**	**5,741,491.75**

Headings and items	DEPRECIATION AND AMORTISATION				
	Accumulated values – opening balance	Depreciation/ amortisation charges	Decrease	Accumulated values – closing balance	Net book value
Intangible assets	-4,052,329.17	-459,164.00	0.00	-4,511,493.17	1,217,286.27
Total I	**-4,052,329.17**	**-459,164.00**	**0.00**	**-4,511,493.17**	**1,217,286.27**
Tangible fixed assets	-12,712.31	0.00	0.00	-12,712.31	0.00
Total II	**-12,712.31**	**0.00**	**0.00**	**-12,712.31**	**0.00**
Grand Total	**-4,065,041.48**	**-459,164.00**	**0.00**	**-4,524,205.48**	**1,217,286.27**

Receivables linked to financial management

Receivables	31/12/2018
Related to financial instruments	
Matured coupons for payment	8,112,157.04
Sales pending settlement	10,963,268.77
Fees/rebates receivable	2,318,634.01
Total	**21,394,059.82**
Related to forex transactions	
Forward purchases	710,333,660.48
Forex forward receivables	8,878,083,427.13
Forex spot receivables	0.00
Backwardation	40,810,372.63
Total	**9,629,227,460.24**
Related to forward financial instruments	
Security deposits	113,952,742.35
Margin receivable	9,680,709.78
Premiums on options	101,484,785.43
Total	**225,118,237.56**

Financial instruments

CHANGES IN THE VALUE OF THE PORTFOLIO OF TRANSFERABLE SECURITIES

PORTFOLIO AT 31 DECEMBER 2017

	Value on acquisition	Valuation differences	Accrued coupons	Balance sheet value
Equities	8,603,288,732.16	1,919,977,456.29		10,523,266,188.45
Bonds	14,278,231,536.62	231,268,986.83	206,363,058.96	14,715,863,582.41
Transferable debt securities	363,300,000.00	-22,670.58		363,277,329.42
Undertakings for Collective Investment	7,810,579,998.40	1,554,853,036.16		9,365,433,034.56
UCITS	7,289,222,446.13	1,308,206,845.17		8,597,429,291.30
Other UCIs	521,357,552.27	246,646,190.99		768,003,743.26
Private equity funds	*4,066,993.07*	*248,591,398.78*		*252,658,391.85*
Securitisation Entity	*517,290,559.20*	*-1,945,207.79*		*515,345,351.41*
Total	**31,055,400,267.18**	**3,706,076,808.70**	**206,363,058.96**	**34,967,840,134.84**

PORTFOLIO AT 31 DECEMBER 2018

	Value on acquisition	Valuation differences	Accrued coupons	Balance sheet value
Equities	8,546,009,973.48	178,495,889.15		8,724,505,862.63
Bonds	13,133,814,854.23	-60,094,744.01	179,219,882.26	13,252,939,992.48
Transferable debt securities	670,882,831.83	1,572,901.88		672,455,733.71
Undertakings for Collective Investment	8,204,111,824.92	970,075,933.20	0.00	9,174,187,758.12
UCITS	7,596,489,569.47	780,677,701.99		8,377,167,271.46
Other UCIs	607,622,255.45	189,398,231.21	0.00	797,020,486.66
Private equity funds	*0.00*	*189,604,760.18*		*189,604,760.18*
Securitisation Entity	*607,622,255.45*	*-206,528.97*		*607,415,726.48*
Total	**30,554,819,484.46**	**1,090,049,980.22**	**179,219,882.26**	**31,824,089,346.94**

	31/12/2017	31/12/2018
Equities	10,523,266,188.45	8,724,505,862.63
Bonds	14,715,863,582.41	13,252,939,992.48
Transferable debt securities	363,277,329.42	672,455,733.71
Undertakings for Collective Investment	9,365,433,034.56	9,174,187,758.12
UCITS	8,597,429,291.30	8,377,167,271.46
Other UCIs	768,003,743.26	797,020,486.66
Private equity funds	*252,658,391.85*	*189,604,760.18*
Securitisation entities	*515,345,351.41*	*607,415,726.48*
Total	**34,967,840,134.84**	**31,824,089,346.94**

BREAKDOWN OF PORTFOLIO BY REMAINING TERM TO MATURITY

	31/12/2017	31/12/2018
< 3 months	2.23%	3.94%
> 3 months < 1 year	1.72%	3.07%
1 to 3 years	20.58%	20.75%
3 to 5 years	24.45%	37.36%
5 to 7 years	28.33%	13.68%
7 to 10 years	15.47%	15.12%
10 to 15 years	3.48%	2.50%
> 15 years	3.74%	3.58%
	100.00%	**100.00%**

BREAKDOWN OF PORTFOLIO BY COUPON TYPE

	31/12/2017	31/12/2018
Fixed rate	3.30%	4.18%
Index-linked rate	94.02%	92.97%
Variable rate	2.68%	2.85%
	100.00%	**100.00%**

BREAKDOWN OF THE FINANCIAL INSTRUMENTS PORTFOLIO BY LISTING CURRENCY

Currency	Equities	Bonds	Transferable debt securities	Undertakings for Collective Investment			Total
				UCITS[1]	Other UCIs		
					SE[2]	LP[3] and PEF	
AUD	158,735,435.80						158,735,435.80
CAD	1,263,653.06						1,263,653.06
CHF	90,342,592.65						90,342,592.65
DKK	43,407,616.64						43,407,616.64
EUR	5,246,598,816.69	9,536,207,544.28	369,797,829.52	4,705,430,482.65	607,415,726.48	134,124,655.20	20,599,575,054.82
GBP	411,039,496.64			7,399,231.24			418,438,727.88
HKD	123,130,350.15						123,130,350.15
JPY	605,974,240.03						605,974,240.03
NOK	17,249,441.87						17,249,441.87
NZD	17,354,911.01						17,354,911.01
SEK	110,912,399.85						110,912,399.85
SGD	43,358,988.76						43,358,988.76
USD	1,855,137,919.48	3,716,732,448.20	302,921,773.50	3,664,337,557.57		55,480,104.98	9,594,609,803.73
					607,415,726.48	189,604,760.18	
NET TOTAL OF INTEREST RECEIVED IN ADVANCE[4]	**8,724,505,862.63**	**13,252,939,992.48**	**672,719,603.02**	**8,377,167,271.46**	**797,020,486.66**		**31,824,353,216.25**
Interest received in advance on French Treasury Bills							
Interest received in advance on foreign Treasury Bills							
Interest received in advance on certificates of deposit			-263,869.31				
Total interest received in advance			**-263,869.31**				
TOTAL	**8,724,505,862.63**	**13,252,939,992.48**	**672,455,733.71**	**9,174,187,758.12**			**31,824,089,346.94**

1. o/w Exchange Traded Funds

2. Securitisation entities

3. Limited Partnership: Private equity funds

4. IRA: Interest received in advance

DETAILED STATEMENT OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2018

Financial instruments	Net total of interest received in advance	IRA	Portfolio total
Equities			
Eurozone European	5,226,596,694.80		5,226,596,694.80
Non-eurozone European	675,632,226.26		675,632,226.26
North America	1,873,723,015.82		1,873,723,015.82
Asia ex Japan	342,579,685.72		342,579,685.72
Japan	605,974,240.03		605,974,240.03
	8,724,505,862.63		**8,724,505,862.63**
Bonds			
Eurozone European	9,536,207,544.28		9,536,207,544.28
North America	3,716,732,448.20		3,716,732,448.20
	13,252,939,992.48		**13,252,939,992.48**
Transferable debt securities			
Eurozone European	369,797,829.52	-263,869.31	369,533,960.21
North America	302,921,773.50		302,921,773.50
	672,719,603.02	**-263,869.31**	**672,455,733.71**
Undertakings for Collective Investment			
UCITS			
Eurozone European	4,705,430,482.65		4,705,430,482.65
Non-eurozone European	7,399,231.24		7,399,231.24
North America	3,664,337,557.57		3,664,337,557.57
	8,377,167,271.46		**8,377,167,271.46**
Others UCI			
Private equity funds			
Europe	134,124,655.20		134,124,655.20
North America	55,480,104.98		55,480,104.98
	189,604,760.18		**189,604,760.18**
Securitisation entities			
Europe	607,415,726.48		607,415,726.48
	607,415,726.48		**607,415,726.48**
	797,020,486.66		**797,020,486.66**
	9,174,187,758.12		**9,174,187,758.12**
GRAND TOTAL	**31,824,353,216.25**	**-263,869.31**	**31,824,089,346.94**

PRIVATE EQUITY FUNDS

		Panthéon Ventures	Access Capital Partners	Antin Infrastructures	Total
Liabilities at inception	EUR	550,000,000	300,000,000	50,000,000	900,000,000
Liabilities on closing date	EUR	257,474,250	210,000,000	50,000,000	517,474,250
Balance for previous financial year	EUR	0	0	351,196	351,196
Payments over the period (calls for funds)	EUR	0	4,200,000	574,208	4,774,208
Provisional repayment	EUR	-51,852,800	-24,990,000	-1,965,582	-78,808,382
Balance on closing date	EUR	0	0	0	0
Valuation on closing date	EUR	68,193,972	57,642,581	8,288,103	134,124,655

		NBEL[5]	Axa IM Private Equity Europe	Total
Liabilities at inception	USD	679,993,200	198,000,000	877,993,200
Liabilities on closing date	USD	280,711,144	198,000,000	478,711,144
Balance for previous financial year	USD	0	0	0
Payments over the period (calls for funds)	USD	0	0	0
Distribution of assets	USD	-28,285,096	-2,414,379	-30,699,475
Balance on closing date[7]	USD	0	0	0
Valuation on closing date	USD	61,186,582	2,235,500	63,422,082

		NBEL	Axa IM Private Equity Europe	Total
Liabilities at inception	EUR[6]	594,844,451	173,206,440	768,050,891
Liabilities on closing date	EUR[6]	245,560,495	173,206,440	418,766,935
Balance for previous financial year	EUR[6]	0	0	0
Payments over the period (calls for funds)	EUR[7]	0	0	0
Distribution of assets	EUR[7]	-23,790,650.49	-2,072,517	-25,863,168
Balance on closing date[7]	EUR[6]	0	0	0
Valuation on closing date	EUR[6]	53,524,544	1,955,561	55,480,105

Total initial liabilities (EUR)	**1,668,050,891**
Total net payments over the period (EUR)	**-99,897,342**
Total valued on closing date (EUR)	**189,604,760**

5. Neuberger Berman Europe Limited ex Lehman Brother Int. Europe

6. On the basis of a USD/EUR exchange rate of 0.87478 on the closing date

7. Dividends are attributed to the value of the fund under balance sheet assets until the amounts invested are repaid. Capital gains are recognised when the dividends paid exceed the total amount invested (see Article 2.2.2 of CNC notice no. 2008-10 of 5 June 2008)

SECURITISATION ENTITIES

Funds	Liabilities at inception	Liabilities on closing date	Balance for previous financial year
Idinvest 1			
NOVO 1			
NOVO 2			
Idinvest 2			
Tikehau			
CM-CIC-Debt Fund 1			
Idinvest 3			
Cerea Dette			
FCT Eurocréances			
CM-CIC-Debt Fund 2			
Lyxor Dette privée			
Tikehau direct lending IV			
Cerea Dette II			
Sub-total	**950,000,000**	**1,001,000,000**	**238,844,454**

Funds	Liabilities at inception	Liabilities on closing date	Balance for previous financial year
FPS Immo Durable			
NOVI 1			
NOVI 2			
BNP PARIBAS FPS FPE			
Meridiam			
Capenergie			
Quaero			
Schelcher Prince G			
BNPP AM Dette privée			
Idinvest Dette privée			
Swen FOF CI France			
Ardian FOF CI France			
FPS LGT FOF FRR CI			
Truffle			
FCPI IDINVEST INNOV			
OMNES INNOV			
Brownfields 3			
Sub-total	**1,655,000,000**	**1,655,000,000**	**923,506,152**
Total	**2,605,000,000**	**2,656,000,000**	**1,162,350,606**

	Balance sheet value Year n-1	Payments over the period		Balance sheet value Year n	Balance on closing date	Valuation on closing date
		Calls for Funds	Distribution of assets			
	517,290,559	154,143,436	-63,811,740	607,622,255	167,329,116	607,415,725

	Balance sheet value Year n-1	Payments over the period		Balance sheet value Year n	Balance on closing date	Valuation on closing date
		Calls for Funds	Distribution of assets			
	357,218,719	355,472,282	-1,840,000	710,851,000	944,873,871	739,727,660
	874,509,278	509,615,718	-65,651,740	1,318,473,256	1,112,202,987	1,347,143,386

Cash

Currencies	Total
AUD	5,961,556.78
CAD	3,642,426.79
CHF	7,735,152.52
DKK	5,759.42
EUR	350,861,449.30
GBP	20,233,696.21
HKD	11,849,372.91
JPY	25,302,202.02
NOK	64,353.48
NZD	59,947.44
SEK	5,428.20
SGD	228,466.61
USD	314,876,290.13
Total	**740,826,101.81**

ADDITIONAL INFORMATION RELATING TO LIABILITIES

Changes to permanent capital

Equity capital	31/12/2017	Allocation of 2017 profit/(loss)	2018 profit/(loss)	[+]	[-]	31/12/2018
Allocations	2,870,680,121.97					2,870,680,121.97
Reserves	7,743,212,890.43	2,392,033,650.10				10,135,246,540.53
Valuation differences	3,504,208,870.35				2,399,004,442.54	1,105,204,427.81
Profit/(loss) for the financial year	2,392,033,650.10	-2,392,033,650.10	945,245,881.15			945,245,881.15
Sub-total	**16,510,135,532.85**	**0.00**	**945,245,881.15**	**0.00**	**2,399,004,442.54**	**15,056,376,971.46**
Long-term debts	**31/12/2017**					**31/12/2018**
CNIEG	5,177,275,169.64				258,552,836.15	4,918,722,333.49
CADES + 1 year	12,600,000,000.00				2,100,000,000.00	10,500,000,000.00
Sub-total	**17,777,275,169.64**	**0.00**	**0.00**	**0.00**	**2,358,552,836.15**	**15,418,722,333.49**
Total permanent capital	**34,287,410,702.49**	**0.00**	**945,245,881.15**	**0.00**	**4,757,557,278.69**	**30,475,099,304.95**

Profit/loss for recent financial years

	2015	2016	2017	2018
Profit/(loss) for the financial year	1,500,464,460.48	746,614,649.95	2,392,033,650.10	945,248,881.15

Les résultats des exercices qui précèdent l'arrêté sont affectés en réserve.

Debts

DEBT REPAYMENT SCHEDULE

Payables	Total	- 1 year	+ 1 year	of which 1–5 years	of which more than 5 years
Extraordinary contribution to CNIEG	4,918,722,333.49		4,918,722,333.49		
CADES debt	12,600,000,000.00	2,100,000,000.00	10,500,000,000.00	8,400,000,000.00	2,100,000,000.00
Payables from operations	74,987,269.70	74,987,269.70			
Payables on financial instruments	14,881,190.55	14,881,190.55			
Payables on forex transactions	9,748,092,952.58	9,748,092,952.58			
Payables on forward financial instruments	29,075,644.17	29,075,644.17			
	27,385,759,390.49	11,967,037,057.00	15,418,722,333.49	8,400,000,000.00	2,100,000,000.00

EXTRAORDINARY CONTRIBUTION TO CNIEG

Equity capital at 31 December 2017	16,510,135,532.85
CNIEG balance at 31 December 2017	5,177,275,169.64
2018 employers' contributions	0.00
CADES debt at 31 December 2017	12,600,000,000.00
	34,287,410,702.49
CNAV share at 31 December 2018	**15.10%**

Employers' contributions		
		2018
Allocations at 31/12/2017	2,870,680,121.97	
Allocations at 31/12/2018	2,870,680,121.97	0.00

Breakdown at 31 December 2018	31/12/2017	31/12/2018	To be allocated
Operating income		-68,333,441.44	-68,333,441.44
Financial Income		1,181,391,588.18	1,181,391,588.18
Extraordinary Income		300,934.16	300,934.16
Total Income		**1,113,359,080.90**	**1,113,359,080.90**
Valuation difference Financial institutions	3,459,430,617.71	900,651,749.01	-2,558,778,868.70
Valuation difference – Forex	-27,622,907.29	-1,577,350.59	26,045,556.70
Valuation difference – Forward exchange	141,808,693.98	-74,084,601.36	-215,893,295.34
Valuation difference – Derivatives	-16,163,846.98	-111,200,648.16	-95,036,801.18
Valuation difference – Private equity funds	252,307,195.75	189,604,760.18	-62,702,435.57
Valuation difference – Securitisation entities	-1,945,207.79	-206,528.97	1,738,678.82
Valuation difference – Options	-3,162,844.80	75,793,842.03	78,956,686.83
Valuation difference – Total	**3,804,651,700.58**	**978,981,222.14**	**-2,825,670,478.44**

Total Income	1,113,359,080.90
Breakdown percentage	15.10%
To be credited to the CNAV	**168,113,199.75**
Valuation difference	-2,825,670,478.44
Breakdown percentage	15.10%
To be debited to the CNAV	**-426,666,035.89**

Summary	
Total Income	168,113,199.75
Valuation difference	-426,666,035.90
	-258,552,836.14
For the record: CNIEG contribution at 31 December 2017	**5,177,275,169.64**
CNIEG contribution at 31 December 2018	**4,918,722,333.49**

PAYABLES RELATED TO FINANCIAL MANAGEMENT

Payables	31/12/2018
Related to financial instruments	
Purchases pending settlement	14,881,190.55
Total	**14,881,190.55**
Related to forex transactions	
Forward sales	9,037,943,968.91
Currencies for forward delivery	708,028,402.38
Currencies for spot delivery	
Contango	2,120,581.29
Total	**9,748,092,952.58**
Related to forward financial instruments	
Margin payable	5,598,747.51
Premiums on options	23,476,896.66
Total	**29,075,644.17**

Prepaid income

Prepaid income amounted to EUR -263,869.31. It corresponds to interest prepaid on certain transferable debt securities[8] on which rates are negative. It is presented in the "Prepaid expenses" item of the balance sheet.

8. BTF, CDN, foreign Treasury Bills, commercial paper

ADDITIONAL INFORMATION RELATING TO THE PROFIT AND LOSS ACCOUNT

OPERATING EXPENSES

	Amount
Outside services	**69,786,338.51**
Administrative Management *(Caisse des dépôts et consignations)*	23,183,725.00
Investment company fees	42,064,388.22
Other outside services	4,538,225.29
Including trading costs on forward financial instruments	*3,738,008.07*
Taxes and duties	**83,880.62**
Payroll	**928,342.05**
Depreciation and amortisation	**459,164.00**
Total	**71,257,725.18**

OPERATING INCOME

	Amount
Outside services	**2,924,283.74**
Other outside services	2,924,283.74

TABLE OF STAFF REMUNERATED DIRECTLY BY THE FRR

TABLE OF STAFF AND BREAKDOWN BY CATEGORY					
Category	**Permanent (CDI)**	**Temporary (CDD)**	**Temps**	**Others**	**Total**
Management	2				2
Executives	1				1
Employees	4				4
Total	**7**				**7**
Other[9]				1	

9. Internal accounting

OFF-BALANCE SHEET LIABILITIES

FORWARD FOREIGN EXCHANGE CONTRACTS				
Currency codes	Currency receivable	%	Currency to be delivered	%
AUD	158,364,739.55	1.78%	12,071,730.53	1.70%
CAD	3,756,783.64	0.04%	676,680.27	0.10%
CHF	91,682,401.12	1.03%	9,511,569.33	1.34%
DKK	45,438,706.50	0.51%	6,363,324.52	0.90%
GBP	469,941,510.51	5.29%	64,772,818.53	9.15%
HKD	134,370,639.25	1.51%	17,175,947.99	2.43%
JPY	713,758,229.12	8.04%	178,550,714.71	25.22%
NOK	20,413,086.98	0.23%	7,147,962.85	1.01%
NZD	14,116,562.06	0.16%	327,775.16	0.05%
SEK	113,433,780.21	1.28%	13,081,803.35	1.85%
SGD	39,306,893.59	0.44%	4,696,371.63	0.66%
USD	7,073,500,094.60	79.67%	393,651,703.50	55.60%
Total	**8,878,083,427.13**	**100.00%**	**708,028,402.37**	**100.00%**

SECURITIES AND CASH ON DEPOSIT AT 31 DECEMBER 2018				
Stock code	**Name of stock**	**Quantity**	**Cost price**	**Market value**
US912796QH56	USA TREASURY BILL 23/05/19	25,325,000.00	21,837,778.12	21,940,456.38
US912796QS12	USA TREASURY BILL 10/01/19	51,050,000.00	44,262,110.79	44,632,067.13
US912796QT94	USA TREASURY BILL 17/01/19	50,950,000.00	43,391,541.01	44,524,433.85
US912796QU67	USA TREASURY BILL 0% 24/01/19	25,750,000.00	22,464,850.18	22,492,067.75
US912796QW24	USA TREASURY BILL 07/02/19	25,400,000.00	21,733,252.66	22,165,019.86
US912796QX07	USA TREASURY BILL 14/02/19	25,500,000.00	22,471,498.79	22,241,758.87
US912796RB77	USA TREASURY BILL 14/03/19	25,100,000.00	22,015,782.62	21,851,679.57
US912796RP63	USA TREASURY BILL 09/05/19	25,300,000.00	21,916,575.44	21,940,391.49
US912796RU58	USA TREASURY BILL 13/06/19	26,400,000.00	22,837,736.39	22,837,027.28
XS1787278008	CA LONDON Eurib3 06/03/23 *EUR	4,000,000.00	4,036,440.00	3,882,763.56
			246,967,566.00	**248,507,665.74**

Stock code	Name of stock	Quantity	Cost price	Market value
DG.AUD	DEPOSIT AUD	28,168.00	18,387.43	17,346.96
DG.AUD	DEPOSIT AUD	126,756.00	79,356.06	78,061.33
DG.EUR	DEPOSIT EUR	98,508,306.89	98,508,306.89	98,508,306.89
DG.EUR	DEPOSIT EUR	428,924.80	428,924.80	428,924.80
DG.EUR	DEPOSIT EUR	739,763.70	739,763.70	739,763.70
DG.EUR	DEPOSIT EUR	547,809.90	547,809.90	547,809.90
DG.EUR	DEPOSIT EUR	187,763.80	187,763.80	187,763.80
DG.EUR	DEPOSIT EUR	994,347.00	994,347.00	994,347.00
DG.EUR	DEPOSIT EUR	160,500.00	160,500.00	160,500.00
DG.EUR	DEPOSIT EUR	289,300.40	289,300.40	289,300.40
DG.EUR	DEPOSIT EUR	203,342.00	203,342.00	203,342.00
DG.EUR	DEPOSIT EUR	215,920.90	215,920.90	215,920.90
DG.GBP	DEPOSIT GBP	315,180.00	360,742.24	351,155.92
DG.HKD	DEPOSIT HKD	310,023.00	33,408.85	34,638.86
DG.HKD	DEPOSIT HKD	826,728.00	91,975.48	92,370.29
DG.JPY	DEPOSIT JPY	1,110,000.00	8,494.25	8,850.21
DG.JPY	DEPOSIT JPY	1,080,585,000.00	8,390,961.69	8,615,683.05
DG.SGD	DEPOSIT SGD	46,200.00	29,474.89	29,650.54
DG.USD	DEPOSIT USD	1,091,134.00	947,054.64	954,497.65
DG.USD	DEPOSIT USD	424,869.00	367,261.72	371,665.13
DG.USD	DEPOSIT USD	1,283,578.00	1,065,906.28	1,122,843.02
			113,669,002.92	**113,952,742.35**
			360,636,568.92	**362,460,408.09**

OTHER LIABILITIES

Valuation of off-balance sheet commitments on derivatives

Index futures

Long

Stock code	Name of stock	Curr.	Quantity	Price	Commitment OBS valued
AP0319	SYD FUTURE SPI2 0319	AUD	19.00	5,561.00	1,626,724.35
FCE0119	Mar CAC40 0119	EUR	11,942.00	4,728.50	564,677,470.00
FCE0119	Mar CAC40 0119	EUR	50.00	4,728.50	2,364,250.00
FDAX0319	EUR FUTURE DAX 0319	EUR	1,453.00	10,561.50	383,646,487.50
FESX0319	EUR DJ EURO STO 0319	EUR	21,283.00	2,974.00	632,956,420.00
FESX0319	EUR DJ EURO STO 0319	EUR	138.00	2,974.00	4,104,120.00
FESX0319	EUR DJ EURO STO 0319	EUR	97.00	2,974.00	2,884,780.00
FESX0319	EUR DJ EURO STO 0319	EUR	103.00	2,974.00	3,063,220.00
FMCE_FA0319	EUR EURO STOXX 0319	EUR	3,270.00	384.90	62,931,150.00
FTI0119	Mar FUTURE AEX 0119	EUR	2,174.00	487.72	212,060,656.00
HSI0119	HKF HANG SENG I 0119	HKD	8.00	25,854.00	1,155,466.67
IX0119	MEF IBEX 35 0119	EUR	1,946.00	8,517.10	165,742,766.00
SG_FQ0119	SIM MSCI SINGAP 0119	SGD	28.00	341.70	614,035.88
SPMIB0319	ITA SPMIB INDEX 0319	EUR	990.00	18,206.00	90,119,700.00
TP0319	OSA TOPIX 0319	JPY	1,947.00	1,493.50	231,847,254.47
TP0319	OSA TOPIX 0319	JPY	2.00	1,493.50	238,158.45
					2,360,032,659.32

Short

Stock code	Name of stock	Curr.	Quantity	Price	Commitment OBS valued
AP0319	SYD FUTURE SPI2 0319	AUD	-4.00	5,561.00	342,468.28
ES0319	CHI FUTUR SPMIN 0319	USD	-312.00	2,505.20	34,187,219.53
HSI0119	HKF HANG SENG I 0119	HKD	-3.00	25,854.00	433,300.00
Z0319	LIF FTSE100 0319	GBP	-103.00	6,659.00	7,641,657.85
					42,604,645.66

Interest rate futures

Long

Stock code	Name of stock	Curr.	Quantity	Price	Commitment OBS valued
FGBL0319	EUR EURO BUND F 0319	EUR	348.00	163.54	56,911,920.00
FGBL0319	EUR EURO BUND F 0319	EUR	46.00	163.54	7,522,840.00
FGBL0319	EUR EURO BUND F 0319	EUR	327.00	163.54	53,477,580.00
FGBL0319	EUR EURO BUND F 0319	EUR	118.00	163.54	19,297,720.00
FGBM0319	EUR EURO BOBL F 0319	EUR	516.00	132.52	68,380,320.00
FGBS0319	EUR EURO SCHATZ 0319	EUR	742.00	111.94	83,059,480.00
FV0319	CBO UST NOTE 5 0319	USD	258.00	114.69	25,884,070.33
FV0319	CBO UST NOTE 5 0319	USD	30.00	114.69	3,009,775.62
TN0319	CBO ULTRA NOTE 0319	USD	345.00	130.08	39,257,274.31
TN0319	CBO ULTRA NOTE 0319	USD	399.00	130.08	45,401,891.16
TU0319	CBO 2 Y US TRES 0319	USD	98.00	106.16	18,201,132.83
TU0319	CBO 2 Y US TRES 0319	USD	674.00	106.16	125,179,219.70
TY0319	CBO T NOTE US 1 0319	USD	217.00	122.02	23,161,781.59
UBE0319	CBO ULTRA BOND 0319	USD	1.00	160.66	140,538.21
US0319	CBO FUTURE BOND 0319	USD	6.00	146.00	766,303.63
					569,651,847.38

Short

Stock code	Name of stock	Curr.	Quantity	Price	Commitment OBS valued
FGBL0319	EUR EURO BUND F 0319	EUR	-2,836.00	163.54	463,799,440.00
FGBL0319	EUR EURO BUND F 0319	EUR	-139.00	163.54	22,732,060.00
FGBL0319	EUR EURO BUND F 0319	EUR	-140.00	163.54	22,895,600.00
FGBM0319	EUR EURO BOBL F 0319	EUR	-6,218.00	132.52	824,009,360.00
FGBM0319	EUR EURO BOBL F 0319	EUR	-69.00	132.52	9,143,880.00
FGBM0319	EUR EURO BOBL F 0319	EUR	-85.00	132.52	11,264,200.00
FGBM0319	EUR EURO BOBL F 0319	EUR	-200.00	132.52	26,504,000.00
FGBM0319	EUR EURO BOBL F 0319	EUR	-252.00	132.52	33,395,040.00
FGBS0319	EUR EURO SCHATZ 0319	EUR	-7,675.00	111.94	859,139,500.00
FGBS0319	EUR EURO SCHATZ 0319	EUR	-341.00	111.94	38,171,540.00
FGBX0319	EUR FUTURE EURO 0319	EUR	-2.00	180.62	361,240.00
FGBX0319	EUR FUTURE EURO 0319	EUR	-22.00	180.62	3,973,640.00
FSMI0319	EUR FUTURE SMI 0319	CHF	-63.00	8,310.00	4,645,753.84
FV0319	CBO UST NOTE 5 0319	USD	-8,732.00	114.69	876,045,357.14
FV0319	CBO UST NOTE 5 0319	USD	-199.00	114.69	19,964,844.95
TN0319	CBO ULTRA NOTE 0319	USD	-1,783.00	130.08	202,886,145.19
TN0319	CBO ULTRA NOTE 0319	USD	-590.00	130.08	67,135,628.53
TU0319	CBO 2 Y US TRES 0319	USD	-6,574.00	106.16	1,220,961,706.70
TU0319	CBO 2 Y US TRES 0319	USD	-38.00	106.16	7,057,582.12
TY0319	CBO T NOTE US 1 0319	USD	-4,105.00	122.02	438,152,596.45
TY0319	CBO T NOTE US 1 0319	USD	-122.00	122.02	13,021,831.12
TY0319	CBO T NOTE US 1 0319	USD	-291.00	122.02	31,060,269.32
UBE0319	CBO ULTRA BOND 0319	USD	-10.00	160.66	1,405,382.06
US0319	CBO FUTURE BOND 0319	USD	-35.00	146.00	4,470,104.54
					5,202,196,701.95

INDEX CALL OPTIONS

Stock code	Name of stock Fininfo	Quantity	Strike price	Support price	Delta (Mid)	Delta (Last)	Commitment value (value of the underlying)
OESX0319C-1	EURO STOXX 50 C 1903 3225.00	-16,202.00	3,225.00	3,001.42	0.110		-53,491,907.52
OESX0319C-2	EURO STOXX 50 C 1903 3200.00	-32,496.00	3,200.00	3,001.42		0.192	-187,265,557.09
OESX0319C-3	EURO STOXX 50 C 1903 3175.00	-9,830.00	3,175.00	3,001.42	0.223		-65,793,827.68
OESX0319C-4	EURO STOXX 50 C 1903 3125.00	-9,988.00	3,125.00	3,001.42	0.292		-87,536,294.24
OSPX0319C-1	S&P 500 C 1903 2870.00	-4,160.00	2,870.00	2,506.85	0.042		-38,314,904.66
OSPX0319C-2	S&P 500 C 1903 2760.00	-4,299.00	2,760.00	2,506.85	0.113	0.12	-106,529,776.74
Total, by absolute value							**538,932,267.94**

INDEX PUT OPTIONS

Stock code	Name of stock Fininfo	Quantity	Strike price	Support price	Delta (Mid)	Delta (Last)	Commitment value (value of the underlying)
OESX0319P-1	EURO STOXX 50 P 1903 3000.00	48,698.00	3,000.00	3,001.42		-0.505	-738,123,913.36
OESX0319P-2	EURO STOXX 50 P 1903 2825.00	-48,698.00	2,825.00	3,001.42	-0.297		434,104,558.95
OESX0319P-3	EURO STOXX 50 P 1903 2975.00	9,830.00	2,975.00	3,001.42	-0.483		-142,504,120.04
OESX0319P-4	EURO STOXX 50 P 1903 2800.00	-9,830.00	2,800.00	3,001.42		-0.275	81,135,886.15
OESX0319P-5	EURO STOXX 50 P 1903 2750.00	-9,988.00	2,750.00	3,001.42	-0.232		69,549,384.47
OESX0319P-6	EURO STOXX 50 P 1903 2925.00	9,988.00	2,925.00	3,001.42	-0.424		-127,107,495.75
OSPX0319P-1	S&P 500 P 1903 2505.00	-4,160.00	2,505.00	2,506.85	-0.473		431,498,807.28
OSPX0319P-2	S&P 500 P 1903 2680.00	4,160.00	2,680.00	2,506.85	-0.766		-698,790,880.28
OSPX0319P-3	S&P 500 P 1903 2570.00	4,299.00	2,570.00	2,506.85	-0.583		-549,618,228.65
OSPX0319P-4	S&P 500 P 1903 2400.00	-4,299.00	2,400.00	2,506.85	-0.320		301,677,243.86
Total, by absolute value							**3,574,110,518.78**

STATUTORY AUDITOR'S REPORT

Grant Thornton
L'instinct de la croissance

MAZARS

Fonds de Réserve pour les Retraites

56, rue de Lille
75007 Paris

Rapport des Commissaires aux Comptes sur les comptes annuels

Exercice clos de 31 décembre 2018

Aux membres du Conseil de Surveillance,

Opinion

En exécution de la mission qui nous a été confiée par le Conseil de surveillance, nous avons effectué l'audit des comptes annuels du Fonds de Réserve pour les Retraites relatifs à l'exercice clos le 31 décembre 2018, tels qu'ils sont joints au présent rapport.

Nous certifions que les comptes annuels sont, au regard des règles et principes comptables français, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine du Fonds de Réserve pour les Retraites à la fin de cet exercice.

Fondement de l'opinion

Référentiel d'audit

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Les responsabilités qui nous incombent en vertu de ces normes sont indiquées dans la partie «Responsabilités des commissaires aux comptes relatives à l'audit des comptes annuels» du présent rapport.

Indépendance

Nous avons réalisé notre mission d'audit dans le respect des règles d'indépendance qui nous sont applicables, sur la période du 1er janvier 2018 à la date d'émission de notre rapport, et notamment nous n'avons pas fourni de services interdits par le code de déontologie de la profession de commissaire aux comptes.

Justification des appréciations

En application des dispositions des articles L. 823-9 et R. 823-7 du code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les appréciations suivantes qui, selon notre jugement professionnel, ont été les plus importantes pour l'audit des comptes annuels de l'exercice.

Les appréciations ainsi portées s'inscrivent dans le contexte de l'audit des comptes annuels pris dans leur ensemble et de la formation de notre opinion exprimée ci-avant. Nous n'exprimons pas d'opinion sur des éléments de ces comptes annuels pris isolément.

Comme il est précisé à la note I de l'annexe des comptes « Règles et méthodes comptables utilisées », les comptes sont établis selon les principes et méthodes comptables du plan comptable unique des organismes de sécurité sociale et l'avis CNC n°2003-07 du 24 juin 2003 modifié par l'avis n°2008-10 du 5 juin 2008 relatif à la comptabilisation des instruments financiers du Fonds de Réserve pour les Retraites.

Dans le cadre de notre appréciation des règles et méthodes comptables suivies par votre Etablissement, en particulier celles relatives à l'évaluation des instruments financiers en portefeuille, nous avons vérifié le caractère approprié de ces règles et méthodes et des informations fournies dans les notes de l'annexe, et nous nous sommes assurés de leur correcte application.

Vérifications spécifiques

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, aux vérifications spécifiques prévues par les textes légaux et règlementaires.

Nous n'avons pas d'observation à formuler sur la sincérité et la concordance avec les comptes annuels des informations données dans le rapport de gestion du Directoire et dans les autres documents sur la situation financière et les comptes annuels adressés aux membres du Conseil de Surveillance.

Responsabilités de la direction et des personnes constituant le gouvernement d'entreprise relatives aux comptes annuels

Il appartient à la direction d'établir des comptes annuels présentant une image fidèle conformément aux règles et principes comptables français ainsi que de mettre en place le contrôle interne qu'elle estime nécessaire à l'établissement de comptes annuels ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Lors de l'établissement des comptes annuels, il incombe à la direction d'évaluer la capacité du Fonds de Réserve pour les Retraites à poursuivre son exploitation, de présenter dans ces comptes, le cas échéant, les informations nécessaires relatives à la continuité d'exploitation et d'appliquer la convention comptable de continuité d'exploitation, sauf s'il est prévu de liquider l'Etablissement ou de cesser son activité.

Les comptes annuels ont été arrêtés par le Directoire.

Responsabilités des commissaires aux comptes relatives à l'audit des comptes annuels

Il nous appartient d'établir un rapport sur les comptes annuels. Notre objectif est d'obtenir l'assurance raisonnable que les comptes annuels pris dans leur ensemble ne comportent pas d'anomalies significatives. L'assurance raisonnable correspond à un niveau élevé d'assurance, sans toutefois garantir qu'un audit réalisé conformément aux normes d'exercice professionnel permet de systématiquement détecter toute anomalie significative. Les anomalies peuvent provenir de fraudes ou résulter d'erreurs et sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce qu'elles puissent, prises individuellement ou en cumulé, influencer les décisions économiques que les utilisateurs des comptes prennent en se fondant sur ceux-ci.

Comme précisé par l'article L. 823-10-1 du code de commerce, notre mission de certification des comptes ne consiste pas à garantir la viabilité ou la qualité de la gestion de l'Etablissement.

Dans le cadre d'un audit réalisé conformément aux normes d'exercice professionnel applicables en France, le commissaire aux comptes exerce son jugement professionnel tout au long de cet audit. En outre :

- il identifie et évalue les risques que les comptes annuels comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, définit et met en œuvre des procédures d'audit face à ces risques, et recueille des éléments qu'il estime suffisants et appropriés pour fonder son opinion. Le risque de non-détection d'une anomalie significative provenant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne ;

- il prend connaissance du contrôle interne pertinent pour l'audit afin de définir des procédures d'audit appropriées en la circonstance, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne ;

- il apprécie le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la direction, ainsi que les informations les concernant fournies dans les comptes annuels ;

- il apprécie le caractère approprié de l'application par la direction de la convention comptable de continuité d'exploitation et, selon les éléments collectés, l'existence ou non d'une incertitude significative liée à des événements ou à des circonstances susceptibles de mettre en cause la capacité du l'Etablissement à poursuivre son exploitation. Cette appréciation s'appuie sur les éléments collectés jusqu'à la date de son rapport, étant toutefois rappelé que des circonstances ou événements ultérieurs pourraient mettre en cause la continuité d'exploitation. S'il conclut à l'existence d'une incertitude significative, il attire l'attention des lecteurs de son rapport sur les informations fournies dans les comptes annuels au sujet de cette incertitude ou, si ces informations ne sont pas fournies ou ne sont pas pertinentes, il formule une certification avec réserve ou un refus de certifier ;

- il apprécie la présentation d'ensemble des comptes annuels et évalue si les comptes annuels reflètent les opérations et événements sous-jacents de manière à en donner une image fidèle.

Fait à Neuilly sur-Seine et Courbevoie, le 12 mars 2019

Les Commissaires aux Comptes

Grant Thornton

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