

A decorative background graphic consisting of several overlapping, semi-transparent, light gray arches that create a layered, mountain-like effect across the middle of the page.

# Man AHL Diversified Markets EU

## Semi-annual report and unaudited financial statements

For the period from 1 July 2016 to 31 December 2016

Man AHL Diversified Markets EU is based in the Netherlands and is a fund with special risks according to Swiss investment fund legislation, which invests based on an alternative investment strategy predominantly in derivatives of any kind. This strategy could, because of its leverage, cause considerable price fluctuations. Thus, investors have to be prepared to bear losses and are hereby explicitly referred to the special risk factors mentioned in the prospectus. For all investors Key Investor Information Documents (KIIDs) have been prepared for this product with information on the product, the costs and the risks. Ask for it and read it before buying the product. The KIIDs are obtainable for all investors at no cost from Man Fund Management Netherlands B.V., Beurs-World Trade Center, Beursplein 37, 3011 AA Rotterdam. This information can also be obtained on the manager's website: [www.man.com/DMEU](http://www.man.com/DMEU). Swiss investors should also refer to the prospectus for further information. Results in the past do not offer a guarantee for performance in the future.

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## Fund information

### Man AHL Diversified Markets EU (the “Fund”)

Mailing address:  
Man Fund Management Netherlands B.V.  
Beurs – World Trade Center  
PO Box 30007  
3001 DA Rotterdam  
The Netherlands

### Manager and AIFM (the “Manager”)

Visiting address:  
Man Fund Management Netherlands B.V.  
Beurs – World Trade Center  
Beursplein 37, 19th floor  
3011 AA Rotterdam  
The Netherlands

### Managing Directors of the Manager

W.Y.B. Johannesma  
A.A.J. Hopstaken  
B.M. Tibbalds  
J.C. Meulenbelt

### Title Holder

Citco Bewaarder B.V.  
Telestone 8 – Teleport  
Naritaweg 165  
1043 BW Amsterdam  
The Netherlands

### Corporate Secretary

HJCO Capital Partners B.V.  
Beurs – World Trade Center  
PO Box 30007  
3001 DA Rotterdam  
The Netherlands

### Unitholder Services Provider and Registrar

Citco Fund Services (Cayman Islands) Limited  
89 Nexus Way Camana Bay  
PO Box 31106  
Grand Cayman KY1-1205  
Cayman Islands

### Valuation Service Provider/FATCA Services

Citco Fund Services (Cayman Islands) Limited  
89 Nexus Way Camana Bay  
PO Box 31106  
Grand Cayman KY1-1205  
Cayman Islands

### Trading Adviser

AHL Partners LLP  
Riverbank House  
2 Swan Lane  
London EC4R 3AD  
United Kingdom

### Prime Brokers

Credit Suisse Securities (Europe) Limited  
One Cabot Square  
Canary Wharf  
London E14 4QJ  
United Kingdom

Morgan Stanley & Co. International Plc  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

### Brokers

Royal Bank of Scotland plc  
36 St Andrew Square  
Edinburgh EH2 2YB  
United Kingdom

Credit Suisse  
31 Gateway, 1 Marquarie Place  
Sydney NSW 2000  
Australia

JP Morgan Chase Bank, N.A.  
Mailpoint 285c  
Floor 3  
18 Christchurch Road  
Bournemouth BH1 3BA  
United Kingdom

Deutsche Bank  
1 Great Winchester Street  
London EC2N 2 DB  
United Kingdom

Bank of America Merrill Lynch  
Canary Wharf  
5 Canada Square  
London E14 5AQ  
United Kingdom

HSBC Bank Plc  
8 Canada Square  
London E14 5HQ  
United Kingdom

### Swiss Representative/Service Manager/ Marketing Adviser

Man Investments AG  
Huobstrasse 3  
8808 Pfäffikon SZ  
Switzerland

## Fund information (continued)

### Introducing Broker

Man Investments AG  
Huobstrasse 3  
8808 Pfäffikon SZ  
Switzerland

AHL Partners LLP (delegated from 1 January 2016)  
Riverbank House  
2 Swan Lane  
London EC4R 3AD  
United Kingdom

### Swiss Paying Agent

RBC Investor Services Bank S.A. Esch-sur-Alzette Zurich Branch  
Badenerstrasse 567  
PO Box 101  
CH-8066 Zürich  
Switzerland

### Banker and Principal Paying Agent

ING Bank N.V.  
Rayon Amsterdam - Zuidoost  
PO Box 12280  
1100 AG Amsterdam  
The Netherlands

### Auditors

Ernst & Young Accountants LLP  
Wassenaarseweg 80  
2596 CZ The Hague  
The Netherlands

### Legal Adviser, the Netherlands

Houthoff Buruma  
Gustav Mahlerplein 50  
PO Box 75505  
1070 AM Amsterdam  
The Netherlands

### Depository

The Bank of New York Mellon SA/NV  
acting through its Amsterdam Branch  
WTC Building, Strawinskylaan 337  
1077 XX Amsterdam  
The Netherlands

### Fiscal Adviser, the Netherlands

Houthoff Buruma  
Gustav Mahlerplein 50  
PO Box 75505  
1070 AM Amsterdam  
The Netherlands

Except where otherwise provided in this semi-annual report and financial statements (the “Semi-Annual Report”), terms and expressions defined in the Fund’s prospectus, dated 27 November 2015 (the “Prospectus”) shall have the same meaning where used in this Semi-Annual Report.

The Prospectus, General Terms and Conditions, key investor information documents, list of Investments (trades) and (semi) Annual Reports are obtainable free of charge in German from the following locations:

For investors in Switzerland: Man Investments AG, Huobstrasse 3, 8808 Pfäffikon SZ, Switzerland.

For all other investors: Man Fund Management Netherlands B.V., Beurs-World Trade Center, Beursplein 37, 3011 AA Rotterdam, The Netherlands.

The Prospectus, General Terms and Conditions of the Fund, key investor information documents, (semi-) Annual Report etc. are also available on the website of the Manager: [www.man.com/DMEU](http://www.man.com/DMEU).

This Semi-Annual Report has been prepared in English and translated into Dutch and German. To the extent that there is any inconsistency between the English language version of this Semi-Annual Report and that of the Dutch/German, the English version of the Semi-Annual Report will prevail.

## Manager's report

The Fund sustained a loss over the course of half year ending 31 December 2016.

The period was a challenging one for the Fund, with losses across the majority of sectors with the exception of equities, credit and currencies. In Q3, markets were calmer after the volatility that came with the Brexit vote in late Q2, and this less volatile environment helped to drive most major global equity indices higher despite expectations increasing that the US Federal Reserve would raise rates by year end. In Q4, after initial market nervousness, Donald Trump's election as President led to the "Trump Bump", characterised by rising risk assets and US dollar. In December, the US Federal Reserve guided expectations of further rate rises in 2017, and the ECB buoyed markets by tapering its bond purchase programme, but also extended it for at least 9 more months. On top of this, OPEC secured production cuts in conjunction with non-member countries including Russia.

Commodities were the worst performing asset class, with energies in particular causing problems for the Programme. Oil has been range-bound this year, with OPEC being first unable to formulate agreement on production cuts, then finally able to do it. Trend-following such gyrations has been problematic. Prices in US Natural Gas took this theme to extremes, with multiple price swings of 20+%.

Fixed income losses were concentrated in Q4. As well as causing a rally in USD, the Trump victory pushed US bond yields significantly higher, from 1.6% to 2.6% over the course of the quarter. This led to bifurcation in positioning across the portfolio, with shorts predominantly in the US and Canada, and longs elsewhere. Overall performance of the sector was negative, but this was concentrated in October when yields started to widen. In December, when widening in North America was established, performance in the sector was positive. In December in particular, the Fund was profitable both from longs in Europe (German Bunds), and from shorts in Canada.

Currencies ended positively, with losses in Q3 being offset by gains in Q4. In Q3 longs in the Turkish lira were hit after a coup attempt, and the Euro was range-bound versus the US dollar leading to losses. But this all changed in Q4 as the greenback rallied significantly on fears that the new president would go on a spending spree and spur inflation.

The same spending spree hopes fuelled stock and credit markets, with long positioning in both accruing gains. As expected, North American indices topped the list of best performers.

Statement of financial position  
As at 31 December 2016

	31 December 2016 EUR	Movement EUR	30 June 2016 EUR
<b>Assets</b>			
<b>Investments:</b>			
Unrealised gains on open positions	4,756,538	151,471	4,605,067
Investments at fair value	27,940,647	4,757,595	23,183,052
	32,697,185	4,909,066	27,788,119
<b>Debtors: amounts receivable within one year</b>			
Balances with brokers – held for trading	37,070,731	(4,407,031)	41,477,762
<b>Other assets: amounts receivable within one year</b>			
Cash and cash equivalents	35,895,599	(11,021,335)	46,916,934
Amounts receivable on sale of financial assets	291,026	(638,696)	929,722
Interest and dividend receivable	9,002	(7,559)	16,561
Amounts receivable for subscribed Units	650,000	640,000	10,000
	36,845,627	(11,027,590)	47,873,217
<b>Total assets</b>	106,613,543	(10,525,555)	117,139,098
<b>Liabilities</b>			
<b>Investments:</b>			
Unrealised losses on open positions	(1,861,359)	(485,099)	(1,376,260)
Securities sold short	(5,538,979)	(1,952,303)	(3,586,676)
	(7,400,338)	(2,437,402)	(4,962,936)
<b>Creditors: amounts falling due within one year</b>			
Balances due to brokers – held for trading	(415,624)	580,634	(996,258)
Amounts payable for securities purchased	(740,702)	(164,982)	(575,720)
Amounts payable on redeemable Units	(140,017)	233,500	(373,517)
Management and advisory fees payable	(424,899)	92,588	(517,487)
Brokerage commission payable	(161,939)	34,416	(196,355)
Interest payable	(26,255)	(2,888)	(23,367)
Other liabilities	(113,686)	37,621	(151,307)
	(2,023,122)	810,889	(2,834,011)
<b>Total of debtors and other assets less creditors</b>	71,893,236	(14,623,732)	86,516,968
<b>Total assets less liabilities</b>	97,190,083	(12,152,068)	109,342,151
<b>Equity</b>			
Unitholders' equity	97,190,083	(12,152,068)	109,342,151
	97,190,083	(12,152,068)	109,342,151

Statement of financial position (continued)  
As at 31 December 2016

	1 July 2016 to 31 December 2016 EUR	1 July 2015 to 30 June 2016 EUR
Units at beginning of reporting period/year	2,805,389	3,451,307
Issued	57,593	195,728
Redeemed	(179,567)	(841,646)
<b>Units at end of reporting period/year</b>	<b>2,683,415</b>	<b>2,805,389</b>
<b>Net Assets – Tranche A &amp; B as per period/year end</b>	<b>65,397,223</b>	<b>74,993,927</b>
Number of Units outstanding – Tranche A & B	1,833,158	1,948,059
Net Asset Value per Unit – Tranche A & B	35.67	38.49
<b>Net Assets – Tranche C as per period/year end</b>	<b>18,503,136</b>	<b>19,921,801</b>
Number of Units outstanding – Tranche C	498,605	499,994
Net Asset Value per Unit – Tranche C	37.10	39.84
<b>Net Assets – Tranche D as per period/year end</b>	<b>13,289,724</b>	<b>14,426,423</b>
Number of Units outstanding – Tranche D	351,652	357,336
Net Asset Value per Unit – Tranche D	37.79	40.37

Approved and authorised for issue on behalf of the Manager on 27 February 2017.



W.Y.B. Johannesma

Statement of changes in equity  
For the period from 1 July 2016 to 31 December 2016

	Tranche A & B Unit	Tranche C Unit	Tranche D Unit	Value EUR
Unitholders' equity at 1 July 2016	1,948,059	499,994	357,336	109,342,151
Number of Units issued and amounts received	20,142	26,435	11,016	2,160,518
Number of Units redeemed and amounts paid	(135,043)	(27,824)	(16,700)	(6,558,599)
Result for the period	–	–	–	(7,753,987)
<b>Total Unitholders' equity at 31 December 2016</b>	<b>1,833,158</b>	<b>498,605</b>	<b>351,652</b>	<b>97,190,083</b>
	Tranche A & B Unit	Tranche C Unit	Tranche D Unit	Value EUR
Unitholders' equity at 1 July 2015	2,409,720	612,960	428,627	131,328,013
Number of Units issued and amounts received	11,126	47,898	–	2,401,605
Number of Units redeemed and amounts paid	(314,174)	(89,250)	(128,757)	(21,316,529)
Result for the period	–	–	–	5,400,135
<b>Total Unitholders' equity at 31 December 2015</b>	<b>2,106,672</b>	<b>571,608</b>	<b>299,870</b>	<b>117,813,224</b>



Statement of comprehensive income  
For the period from 1 July 2016 to 31 December 2016

	1 July 2016 to 31 December 2016 EUR	1 July 2015 to 31 December 2015 EUR
<b>Operating Income</b>		
Realised gains in the value of investments	21,412,260	41,880,321
Realised losses in the value of investments	(27,850,511)	(35,338,065)
Change in unrealised gains in the value of investments	9,145,082	14,568,761
Change in unrealised losses in the value of investments	(7,817,712)	(12,593,455)
Investment income – interest and dividend	114,336	78,547
<b>Total operating income</b>	<b>(4,996,545)</b>	<b>8,596,109</b>
<b>Expenses</b>		
Advisory fees	(1,313,825)	(1,712,577)
Transaction and brokerage cost	(545,890)	(745,860)
Interest expense	(201,952)	(66,461)
Valuation fees	(120,708)	(152,868)
Management fees	(80,368)	(69,647)
Dividend expense	(72,315)	(82,598)
Registrar fees	(51,640)	(65,891)
Title Holder fees	(43,345)	(24,115)
Professional fees and general expenses	(327,399)	(275,957)
<b>Total operating expenses</b>	<b>(2,757,442)</b>	<b>(3,195,974)</b>
<b>Operating results</b>	<b>(7,753,987)</b>	<b>5,400,135</b>

### On-going cost ratio

The on-going cost ratio (“OCR”) is a representation of the on-going costs in connection with the management expressed in a percentage of the average equity. The OCR for the 12 months were as follows:

	Tranche A & B	Tranche C	Tranche D
OCR – excluding performance related fee	5.87 %	4.84 %	3.81 %
OCR – including performance related fee	5.87 %	4.84 %	3.81 %
Synthetic OCR – excluding performance related fee	5.90 %	4.87 %	3.85 %
Synthetic OCR – including performance related fee	5.90 %	4.87 %	3.85 %

### Portfolio Turnover Ratio

The ratio of volume of security transactions in relation to the average Net Asset Value (“NAV”) of the Fund for a 12-month time period (“PTR”) is as follows:

The PTR was (6.93)% for the last 12 months.

Statement of cash flows  
For the period from 1 July 2016 to 31 December 2016

	1 July 2016 to 31 December 2016 EUR	1 July 2015 to 31 December 2015 EUR
<b>Cash flows from operating activities:</b>		
Operating results	(7,753,987)	5,400,135
Change in operating assets and liabilities:		
Change in balances with brokers – held for trading	4,407,031	8,228,156
Change in balances due to brokers – held for trading	(580,634)	(54,385)
Change in unrealised gains/(losses) on open positions	333,628	(4,017,652)
Change in other assets: amounts receivable within one year	646,255	2,042,788
Change in creditors: amounts falling due within one year	3,245	(399,321)
Change in investments at fair value	(2,805,292)	10,839,462
<b>Net cash (used in)/provided by operating activities</b>	<b>(5,749,754)</b>	<b>22,039,183</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of 20,142 (2015: 11,126) Units from Tranche A and B	80,000	384,999
Payment on redemption of 135,043 (2015: 314,174) Units from Tranche A and B	(4,953,832)	(11,460,766)
Proceeds from issue of 26,435 (2015: 47,898) Units from Tranche C	999,520	2,042,105
Payment on redemption of 27,824 (2015: 89,250) Units from Tranche C	(1,182,540)	(3,663,679)
Proceeds from issue of 11,016 (2015: Nil) Units from Tranche D	440,998	–
Payment on redemption of 16,700 (2015: 128,757) Units from Tranche D	(655,727)	(5,194,179)
<b>Net cash used in financing activities</b>	<b>(5,271,581)</b>	<b>(17,891,520)</b>
Net change in cash and cash equivalents	(11,021,335)	4,147,663
Cash and cash equivalents at the beginning of the period	46,916,934	70,309,288
<b>Cash and cash equivalents at the end of the period</b>	<b>35,895,599</b>	<b>74,456,951</b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest received	1,469	–
Interest paid	(200,687)	(77,424)
Dividends received	134,086	62,636
Dividends paid	(60,582)	(74,951)

## Investment allocation by sector As at 31 December 2016

As at 31 December 2016, the breakdown of investment allocation by sector is as follows:

	Sector Net %	Sector Gross %	Sector Long %	Sector Short %
Bonds and Rates	(67.67)	104.26	18.29	(85.96)
Commodities	13.11	13.23	13.17	(0.06)
Credit	354.85	354.85	354.85	–
Currencies	N/A	70.52	35.26	(35.26)
Stocks	26.41	132.54	79.48	(53.06)

As at 31 December 2015, the breakdown of investment allocation by sector is as follows:

	Sector Net %	Sector Gross %	Sector Long %	Sector Short %
Bonds and Rates	67.70	123.10	95.40	(27.70)
Commodities	(24.40)	25.70	0.70	(25.00)
Credit	(44.90)	103.30	29.20	(74.10)
Currencies	N/A	78.20	39.10	(39.10)
Stocks	12.20	88.20	50.20	(38.00)

## Other information

For the period from 1 July 2016 to 31 December 2016

### Accounting principles

The principles for the valuation of the assets and liabilities as well as for the determination of the net result have not been changed and therefore are in conformity with the principles used in the annual report for the financial year ended 30 June 2016.

### Unitholders' funds

As at 31 December 2016, the total unitholders' funds amount to Euro 97,190,083. The number of outstanding units and NAV per unit amounts to:

	Tranche A & B EUR	Tranche C EUR	Tranche D EUR
Outstanding units	1,833,158	498,605	351,652
Net Asset Value per unit	35.67	37.10	37.79

**NB:** The NAV per unit as per the last official valuation date, 29 December 2016, was EUR 36.36, EUR 37.81 and EUR 38.51 respectively for tranches A and B, tranche C and tranche D.

The Fund is an accumulating fund and, therefore, does not intend to distribute dividends to Unitholders. The Fund's income and other profits will be accumulated and reinvested on behalf of Unitholders.

### Investments

The investments as at 31 December 2016 and 30 June 2016 consist of:

	31 December 2016 EUR	30 June 2016 EUR
Investment fund at fair value:		
AHL Evolution Ltd*	17,456,997	18,140,152
Investment in equity securities held for trading	10,483,650	5,042,900
<b>Total Investments</b>	<b>27,940,647</b>	<b>23,183,052</b>
Unrealised gains on open positions:		
Bond futures	291,601	1,602,346
Commodity forward contracts – settled by delivery	56,714	131,309
Commodity futures contracts – settled by cash	1,166,165	968,133
Currency futures	112,947	–
Equity swaps	607,527	210,100
Forward currency contracts	1,592,668	948,047
Short-term interest rate futures	153,405	565,892
Stock index futures	775,511	179,240
	<b>4,756,538</b>	<b>4,605,067</b>
Investment fund at fair value:		
Investment in equity securities sold short	(5,538,979)	(3,586,676)

## Other information (continued)

For the period from 1 July 2016 to 31 December 2016

## Investments (continued)

	31 December 2016 EUR	30 June 2016 EUR
Unrealised losses on open positions:		
Bond futures	(121,240)	–
Commodity forwards	(121,074)	(71,413)
Commodity futures	(477,045)	(355,271)
Currency futures	–	(983)
Equity swaps	(321,477)	(119,098)
Forward exchange forward contracts	(578,037)	(682,638)
Short-term interest rate futures	(26,973)	(16,562)
Stock index futures	(215,513)	(130,295)
	<u>(1,861,359)</u>	<u>(1,376,260)</u>
<b>Total Investments</b>	<b><u>25,296,847</u></b>	<b><u>22,825,183</u></b>

\* The positions in AHL Evolution Ltd (a related party) are:

	31 December 2016 EUR	30 June 2016 EUR
4,964.61 shares at USD 3,697.73 per share = USD 18,357,779	17,456,997	–
5,606.71 shares at USD 3,595.22 per share = USD 20,157,362	–	18,140,152

## Report on Directors' Interests

As at 31 December 2016 and 30 June 2016, the managing directors of the Manager did not hold any Units (directly) in the Fund.

## Related parties

The fees charged to the Fund by related parties are, to the extent comparison is possible, in conformity with fees charged should the services be provided by third parties.

The Manager, the Services Manager and the Trading Adviser, are related parties as they are all subsidiaries of Man Group plc and therefore all subsidiaries of Man Group plc are also related parties.

The following transactions occurred between the Fund and companies forming part of Man Group plc:

## For the period ended 30 December 2016

Related party	Type of fee	Total fees EUR	Fees payable EUR
AHL Partners LLP	Brokerage commissions	516,400	161,939
Man Fund Management Netherlands B.V.	Management fees	80,368	13,875
Man Investments AG	Advisory fees	1,313,825	411,024
Man Investments AG	Valuation fees	120,708	37,643

Other information (continued)

For the period from 1 July 2016 to 31 December 2016

## Related parties (continued)

For the period ended 30 December 2015

Related party	Type of fee	Total fees EUR	Fees payable EUR
Man Fund Management Netherlands B.V.	Management fees	69,647	15,574
Man Investments AG	Advisory fees	1,712,577	583,689
Man Investments AG	Brokerage commissions	658,913	224,536
Man Investments AG	Valuation fees	152,868	51,427

## Other information

The figures in these semi-annual accounts have not been audited.