2013

two thousand

2013 ANNUAL REPORT

thirteen

FONDS DE RESERVE
POUR LES RETRAITES

CONTENTS

MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD AND CHAIRMAN OF THE MANAGEMENT BOARD

Alain Vasselle
Chairman of the Supervisory Board

Jean-Pierre Jouyet[1]
Chairman of the Management Board

1. Chairman of the Management Board until 16 April 2014.

As of 31 December 2013, the market value of the FRR's assets was EUR 36.3 billion, down by EUR 300 million on 31 December 2012. As it has done every year since 2011, the FRR paid EUR 2.1 billion to the "Caisse d'Amortissement de la Dette Sociale" (CADES) without receiving any external revenues. In total, since 1 January 2011, the FRR has paid EUR 6.3 billion to the CADES. However, the value of its portfolio has fallen by only EUR 700 million over three financial years.
This favourable trend is due to the interest streams generated by its bond portfolio and dividends received on its equity holdings, as well as the overall increase in the market value of the securities owned by it.
After +10.5% in 2012, the portfolio as a whole posted a gain of 5.03% net of all charges in 2013.

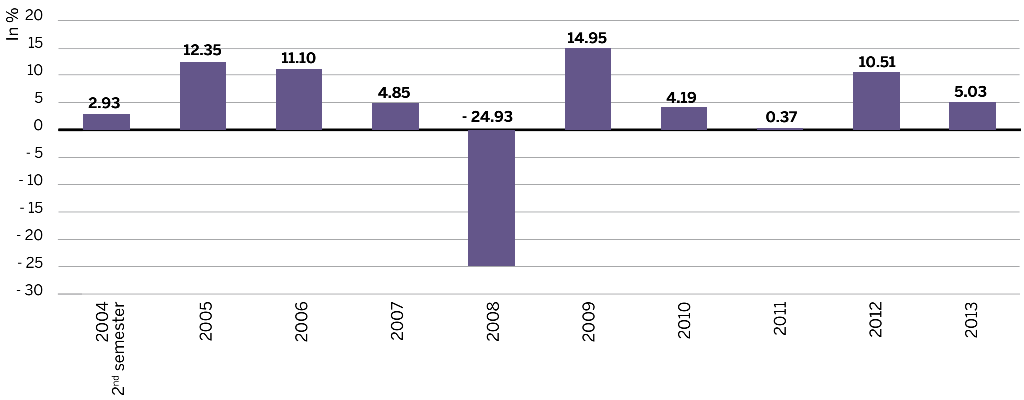
Thanks to a cautious financial management approach and good risk management, the FRR was able to capitalise fully on the rise in equity prices.

During the last two financial years, the performance component of the portfolio has gained more than 12% per annum. In 2012, the market value of the hedging component of the portfolio recorded exceptional growth of more than 10% as a result of the strong worldwide fall in interest rates. As we had anticipated, the general downward trend in interest rates came to a halt in 2013. As a result almost the whole of the gains recorded in 2013 was generated solely by the performance component, composed of diversified assets, but predominantly equities. The share of the portfolio invested in equities is itself very diversified, both geographically and as regards the management types and processes.
At the end of these first three years of the implementation of its new management model, the FRR has recorded an annualised performance of 5.3%. Its funding ratio is now 144% and the amount of its surplus (market value of assets – present value of liabilities) was EUR 11.15 billion as of 31 December 2013.

These results reflect both a cautious financial management approach and good risk management. Accordingly, by maintaining a substantial proportion of performance assets in its portfolio (43%), the FRR was able to capitalise fully on the rise in equity prices in particular.
Like any investor, the FRR must now prepare itself for a probable increase in interest rates over the medium term, with question marks remaining, however, over the precise timing and scope of any such hikes. In this context, the annual review and infra-annual management of the Fund's strategic allocation within the limits determined by the Supervisory Board are increasingly important.
Lastly, while continuing to manage a diversified portfolio, the FRR decided, at the beginning of 2013, to broaden its investments in French equities and place a greater focus in particular on small and mid-cap companies. As a responsible institutional investor, it is resolutely committed to backing funds that finance the economy, thereby making a significant contribution to supporting productive investment.

KEY FIGURES

> The FRR's net annual performance



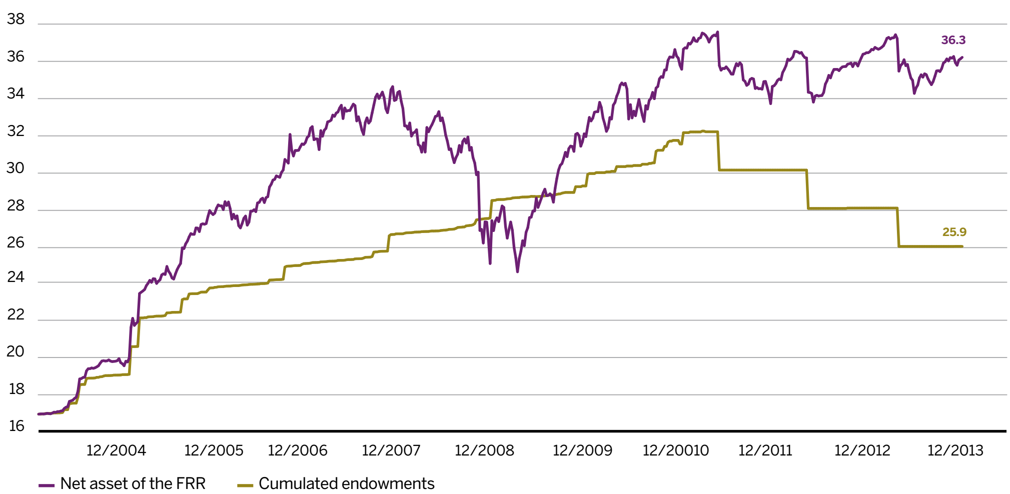
+5.03%
2013 Performance

EUR 36.3 billion
The FRR's assets
as of 31 December 2013

+3.7%
Annualised performance of assets
since inception

+5.3%
Annualised performance of assets
since December 2010[1]

> Changes in the value of the FRR's net assets (in €bn) up to 31/12/2013

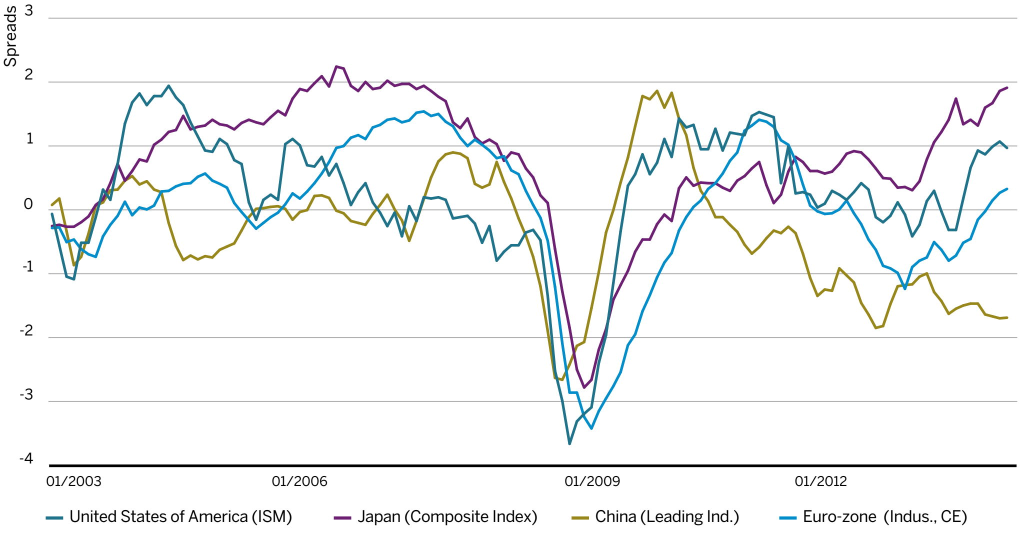


1. Since the entry into force of the 2010 pensions reform, the FRR's financial model has changed substantially:
- The FRR no longer receives new investments (EUR 1.5 to 2 billion a year up to 2010),
- The FRR pays EUR 2.1 billion every year to the CADES,
- The FRR's investment horizon is now shorter (2024 versus 2040 before the reform).

ALL EYES ON THE FED

2013 was a year of confirmation for the global economy: confirmation of the recovery in the United States, the United Kingdom and Japan; confirmation of the macroeconomic and financial stabilisation in emerging countries and in Europe, in particular in the peripheral countries.

> World: Leading indicators



2013, the year of the FED

After 2012, when the European Central Bank had taken centre stage, the US Federal Reserve (Fed) was the main focus of attention in 2013. After Mario Draghi's statement on 26 July 2012 in London[1], which had represented a real hiatus for the markets, the announcement on 22 May 2013 by the US Federal Reserve Chairman of the imminent tapering by the Fed of its bond buying programme marked a turning point for the markets.

The prospect of tapering caused US bond yields to trend sharply higher and led to high volatility on equity markets in developed countries. It also had a very strong impact on European bond markets and above all prompted a massive reversal of capital flows to emerging markets which pushed their equity prices lower, drove emerging debt yields sharply higher and led to a substantial decline in emerging currencies.

Given the extent of the falls on the main markets, in particular that of US sovereign debt, the Fed endeavoured, with some success, to clarify its message to the markets: the gradual tapering of purchases of US Treasury Bonds and mortgage bonds did not imply a simultaneous hike in the Fed's key interest rate. On the contrary, the Fed's statement emphasised that it would not start to raise the fed funds rate before certain targets had been achieved as confirmation of the recovery of the US labour market.

1. "Within our mandate the ECB is ready to do whatever it takes to preserve the euro. And believe me, it will be enough".

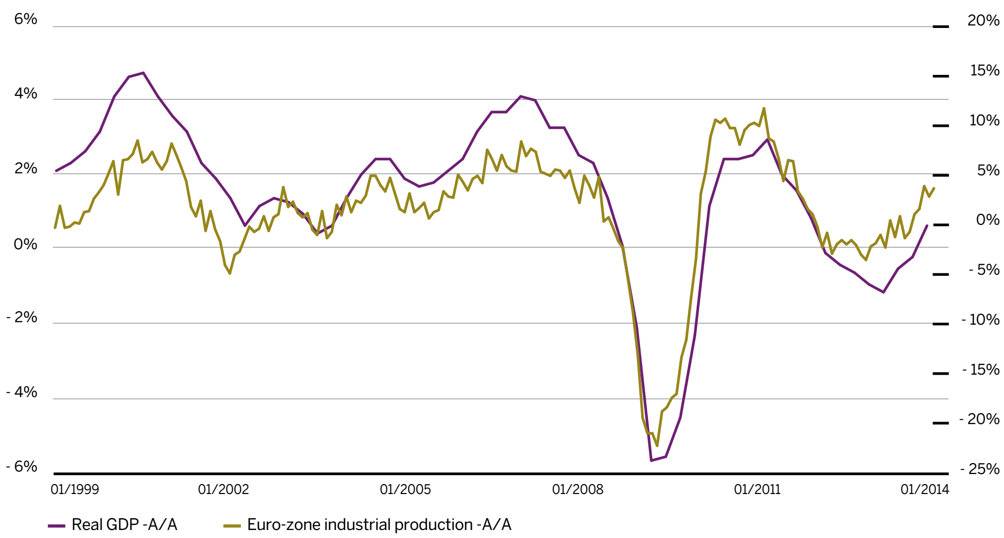
This stabilisation was gradual and halting at the beginning of the year: gloomier growth prospects in China and the eurozone continued until the summer; US budget uncertainties, linked to the raising of the debt ceiling, received wide media coverage throughout the year, with the first cliffhanger in January and an historical intensification by North-American Standards of the political crisis in October. It was this US budget uncertainty, which had more to do with political tensions between the Obama Administration and the Republican majority than any short-term financial constraints, which weighed upon the morale of the US business community during the first half and, consequently, on global activity. An initial compromise in 2013, albeit partial and last-minute, was a very positive factor in the reduction of the US risk premium and, consequently, helped to boost economic growth and financial markets in the United States.

Lastly, on financial markets, the year was marked by the strongly disparate performances of the fixed income securities and equity indices of developed countries. The former reacted negatively after the spring announcement by the Fed of its intention to start tapering its bond buying programme. The US 10-year yields increased by around 150 basis points between the beginning of May and the end of September; equity indices absorbed the shock well during the bond market correction, before rediscovering their early year momentum at the beginning of the fourth quarter.

In terms of growth, the world economy benefited from a synchronised recovery in trade and activity during the summer: in the United States, GDP grew very strongly by 1% to 3% on a an annualised quarterly basis between the first and fourth quarters; in the eurozone, the end of the recession resulted in a very strong second quarter in France (+0.6%) and Germany (+0.7%) and in a stabilisation of activity in Italy and Spain: overall, the eurozone has maintained a quarterly growth rate of around 0.1-0.3% since Q2 2013; in Chine, industrial activity stabilised at around 10% per annum in Q2 and GDP growth at around 7.5%. Global leading indicators are generally positive over the short term, except in Asia and the emerging countries, and are showing encouraging signs of a full-blown recovery in southern Europe.

In the end, the Fed's decision to taper its asset purchases did not fundamentally affect the US economy: the reduced fiscal pressure, buoyant household and corporate demand and vigorous job creation are sustaining growth at annual rates of 3%.

> Eurozone: growth



SECURE ASSET AND LIABILITY MANAGEMENT INTENDED TO OPTIMISE ASSET PERFORMANCE

A PORTFOLIO STRUCTURE ALIGNED WITH INVESTMENT OBJECTIVES

Following the 2010 pensions reform, the FRR has adopted a new investment model known as "liability-driven investment", which aims to fulfil the FRR's two investment objectives.

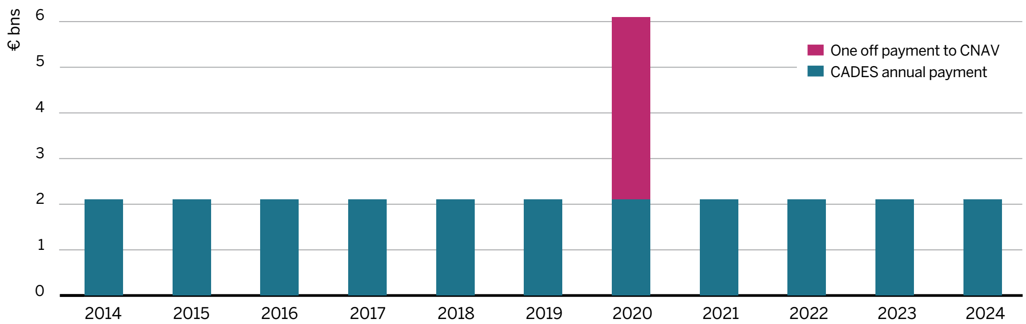
The FRR's main objective is to be able to honour its commitments, which consist of annual payments to the CADES of EUR 2.1 billion until 2024, and a single payment to the CNAV[1] in connection with the CNIEG[2] balance indexed to the FRR's performance. Under a liability-driven investment model, the ability to comply with this objective can be assessed at any time thanks to the funding ratio (ratio between the FRR's net assets and the present value of liabilities[3]) which must be higher than 100%.

The FRR's main objective is to be able to honour its commitments; a secondary objective is to maximise the value of the surplus over time.

In line with this primary objective, the FRR's secondary objective is to make the best possible use of the amounts entrusted to it, by maximising the value of the surplus over time, subject to appropriate risk management. The surplus represents the difference between the FRR's net assets and the present value of liabilities and, on 25 April 2024, when the FRR will have no further liabilities outstanding, the surplus will be equal to net assets.

> The FRR's liabilities (in €bn)

The CNIEG balance and the value of the final net assets will depend on the FRR's performance



1. National Pension Fund (Caisse nationale d'assurance vieillesse – CNAV).

2. National Electronic and Gas Industries Fund (Caisse nationale des industries électroniques et gazières).

3. The present value is obtained using «zero coupon» interest rates of the French government bond yield curve.

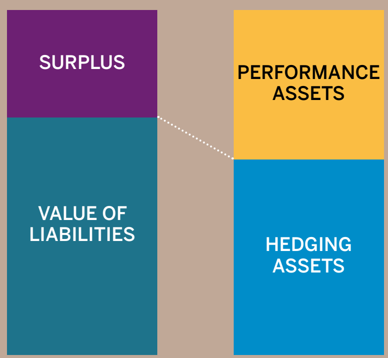
The FRR addresses these two objectives by splitting its portfolio into two components:

- **The hedging component** guarantees that the FRR is able to pay its annual commitments that are recorded as liabilities. To do so, even in a very low interest rate environment, it must represent a substantial proportion of liabilities. The FRR sets itself a hedging rate of at least 80%. The hedging component comprises very low credit risk fixed income instruments: On the one hand, a large share of French Treasury Bonds (OAT) held until maturity delivering an income stream, in proportion to the amount of the FRR's liabilities, as well as investment grade corporate bonds (rated at least BBB-).

- **The performance component** delivers an additional return thanks to its dynamic and diversified assets. It must also be able to top up the amounts generated by the hedging component to cover the annual liabilities, even in the event of a very unfavourable asset scenario. This is why the FRR ensures that, even during periods of extreme stress (affecting the performance assets, the credit risk of the hedging component or the interest rate risk incurred by under-hedging the liabilities), the funding ratio is always greater than 100%. The performance component is currently composed of emerging and developed country equities, high yield corporate bonds and emerging market bonds. Around one-third of its allocation consists of exposure to emerging markets: via government bonds and equities and via ADECE (Developed country equities exposed to growth in the emerging economies) mandates. Almost half of the exposure to developed countries consists of eurozone corporate securities[4].

4. Within the eurozone, 40% to 50% is invested in French securities versus 50% to 60% for the rest of the eurozone.

Liability-driven investment



The FRR has a surplus equal to the difference between its net assets and the present value of its liabilities. The amount of the hedging component may be slightly lower than that of liabilities without putting the payment of liabilities at risk. This makes it possible to allocate to the performance component an amount slightly higher than that of the surplus. A set of stress tests ensures that this structure enables the FRR to honour its outstanding liabilities until 2024, even in a highly unfavourable scenario.

A PAYMENT OF THE FRR'S LIABILITIES SECURED BY A FUNDING RATIO OF 144%

This value reflects the revaluation of the CNIEG balance recorded in the FRR's accounts at end 2013 in an amount of EUR 4 billion and increases the FRR's liabilities by a like amount[5].

5. It should be borne in mind that the CNIEG balance will be paid to the CNAV in 2020 at its market value, i.e. a predetermined proportion of the FRR's assets.

It is sufficiently high to withstand the extreme stress scenarios developed by the FRR using the worst case scenarios observed on financial markets during the last 20 years, and based on the assumption that all the FRR's asset classes (both performance and hedging assets) will be affected simultaneously. Stress scenarios are used as indicators of the ability to withstand risk.

> Extreme scenario assumptions

TYPE OF ASSETS	PERFORMANCE
Performance assets	-50%
Corporate bonds versus liabilities	-18%
The FRR's liabilities	+10%

After application of this extreme stress scenario, the FRR's funding ratio is approximately 110%, i.e. considerably higher than 100%.

MANAGEMENT OF MODIFIED DURATION IN 2013

As a matter of principle, asset/liability management is based on a substantial proportion of fixed income products to cover all or part of the liabilities. Nevertheless, the FRR's allocation in 2013 reflected a core assumption of a rise in interest rates over the medium term. The strategic allocation protected the surplus and even increased it in this situation: the surplus is in fact "under-sensitive" to rates.

This "under-sensitivity" is obtained by:

- under hedging liabilities, since the amount of the hedging component may be up to 20% lower than that of liabilities;
- limiting the modified duration of the hedging assets.

In this regard, in 2013, the FRR adjusted its strategic allocation within the hedging component by disposing of non-French developed country government bonds and increasing the share of investment grade corporate bonds denominated in euro. Corporate bonds have several advantages for the FRR:

- their modified duration is considerably lower than that of the government bonds of developed countries (around 2.5 less). Moreover, this asset class was the only one within the hedging component to have a modified duration lower than that of liabilities in 2013. In the event of an equivalent rise in global interest rates, the investment grade corporate bonds denominated in euro will lose less than the other fixed income products in the hedging component.
- their evolution, and that of liabilities, depends on the euro yield curve[6]. This limits the risk of decoupling from global yield curves for the hedging of liabilities. But the index chosen by the FRR for developed country government bonds consisted of less than 40% of euro-denominated issues. The inclusion of this asset class in the hedging component could therefore lead to a fall in the value of the surplus if, for example, US interest rates were to rise without being followed by those of the eurozone.
- the additional yield generated in 2013 compared with developed country government bonds was around 0.5%.

Moreover, the FRR has also diversified its investments to include French securitisation funds (FCT) which pool loans to the economy via private bond issuances or debt claims which have a similar profile to high yield bonds but with a slightly lower risk. In general, products with a relatively short maturity or a variable interest rate structure have a low modified duration and are only marginally affected by interest rate rises. They therefore enable the FRR to improve the portfolio's risk/return profile.

6. The liabilities also depend on changes in the France/Germany risk premium.

2013 PERFORMANCE: A 5.03% INCREASE IN NET ASSETS

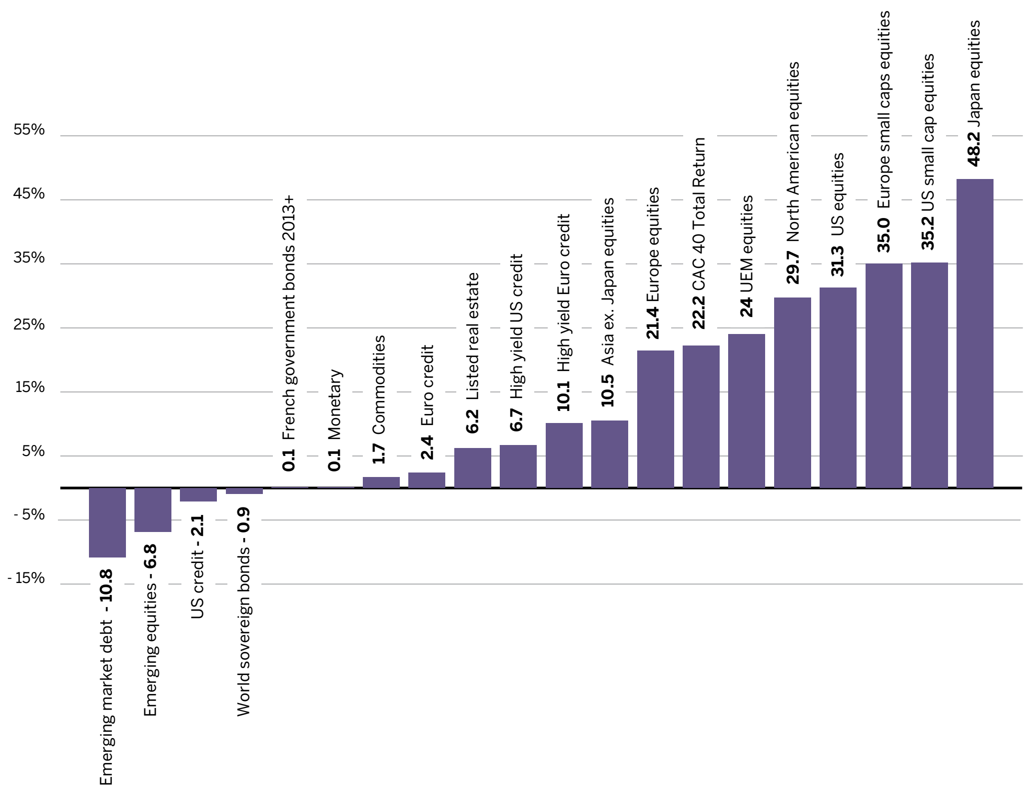
At the end of 2013, after an annual performance of 5.03% net of all charges, net assets stood at EUR 36.3 billion.

The assets in the performance component contributed 4.77% to the overall performance. Equities, the weighting of which was increased in 2013, contributed 5.34% thanks to stock market gains of between 20% and 50% in most cases, except for emerging market equities which lost 6.8%. On the other hand, the overall performance was hampered by emerging market bonds (-0.69%).

The first part of 2013 was volatile. After having trended positively in the first few months of the year, risky assets were badly affected by the Federal Reserve's announcement on 22 May 2013 of an imminent tapering of its monthly bond buying programme. After having lost most of their gains at the

The FRR has diversified its investments to include French securisation funds (FCT) which pool loans to the economy via private bond issuances or debt claims which have a similar profile to high yield bonds.

> Gross performances of the FRR's indices from 30 December 2012 to 31 December 2013



Note: the above performance was calculated with the currency risk of assets in the performance portfolio hedged at 90%, with the exception of emerging country assets, which were not hedged, and with assets in the hedging portfolio hedged at 100%.

> Contributions to the FRR's performance (as %)

2013	Contribution by asset class hedged for currency risk
PERFORMANCE ASSETS	**4.77**
Equities	**5.34**
Eurozone equities	2.21
European non-euro equities	0.81
North American equities	1.59
Asia/Pacific Basin equities	0.41
Europe ADECE	0.40
Global ADECE	0.21
Emerging market equities	-0.28
of which other performance assets	**-0.56**
Commodities	-0.04
High yield bonds	0.17
Emerging market bonds	-0.69
HEDGING ASSETS	**0.22**
Global government bonds	0.05
Euro-denominated corporate bonds	0.30
Dollar-denominated corporate bonds	-0.13
Liability matching (OAT)	0.00
OF WHICH CASH	**0.21**
ADMINISTRATIVE AND FINANCIAL CHARGES	**-0.17**
TOTAL	**5.03**

end of June, they benefited from the strength of the US recovery and the improved economic outlook in the eurozone. European equities (all caps) posted gains of 25% and made the most significant contribution to the overall performance with 2.21%. North American equities gained almost 30% (with a contribution of 1.59% to the FRR's performance), while Japanese equities gained around 50%.

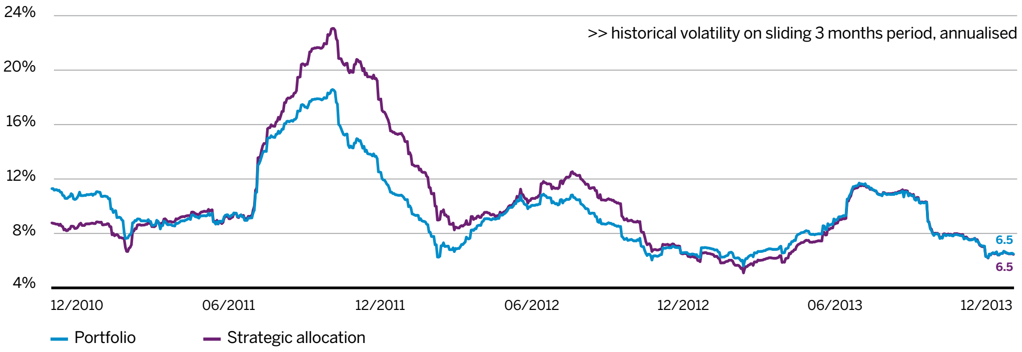
On the other hand, emerging market assets fell by 10.8% as regards the sovereign debt composite index used by the FRR and by 6.8% for equities, mainly due to currency effects. In local currencies, emerging equities gained 3.5%.

Among diversifying assets, high yield bonds held up well in a context of rising sovereign debt yields. With gains of 10.1% and 6.7% respectively for euro-denominated and dollar-denominated debt, they contributed 0.17% to the performance for a total portfolio weighting 2.7%.

Within the performance component, the money market share remained very low and did not exceed 1.9% at any time during the year.

The volatility of the performance component was therefore very close to that of the FRR's strategic allocation and was 6.5% on a three-month annualised basis at the end of December, i.e. one of the lowest ever levels in the history of the FRR.

> **Volatility of the performance assets** as of 31 December 2013



The hedging component, in which international government bonds were removed at the beginning of the year, in favour of investment grade corporate bonds denominated in euro, made a more moderate contribution to the FRR's performance in view of its weighting in the portfolio: 0.22% for a weighting of 56.2%.

After having reached an average level of 1.11% at the beginning of May 2013, the YTD returns of the government bonds of major countries (Barclays "Global Majors index"©) were affected by the Fed's announcement in May which led to a depreciation of the bonds prices, as the low current return was not enough to offset the rise in interest rates.

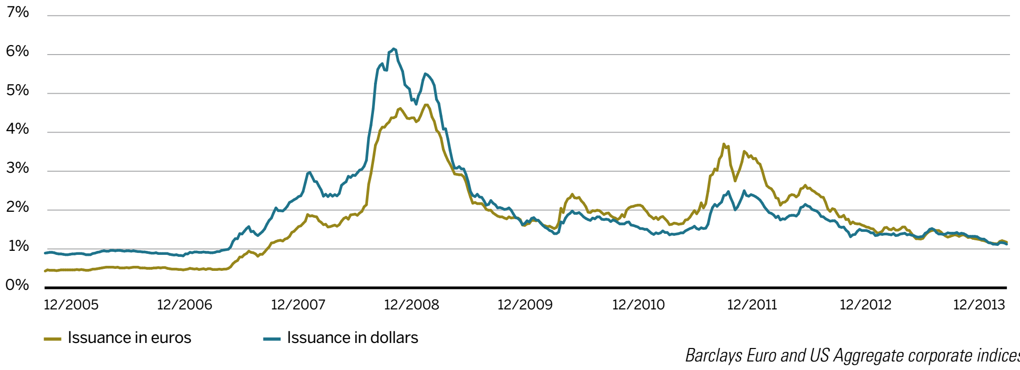
In the end, the average yields of the sovereign issuers in the "Global Majors index" ended the year at 1.52%, i.e. almost the highest level recorded during the year and up by 0.31% over twelve months. However, this increase was modest in comparison with the extent of the downward trend observed up to May 2013.

> **Average yields of government bonds**

Barclays Global Majors index
Sources: Barclays Global Ltd

In terms of performance, only investment grade corporate bonds denominated in euro posted a rise of 2.4%, boosted not only by their low modified duration, which limited losses when interest rates rose, but also by an ongoing narrowing of risk spreads. The OAT matched component remained narrowly in neutral territory, with the current yield and the shift in the curve (shortening of duration) offsetting the decrease in the nominal price related to rising rates. Investment grade corporate bonds denominated in dollars, with a longer duration, lost 1.8% over the year.

> Risk premium for investment grade corporate bonds



Barclays Euro and US Aggregate corporate indices
Sources: Barclays Global Ltd

External active investment mandates made a modest contribution to the relative performance in 2013, but their contribution covered all management fees.

In total, the relative performance contribution of the investment mandates and funds to the overall performance was 0.02% in 2013, inclusive of all management fees, and 13 basis points exclusive of fees for all forms of management (active and passive).

In 2013, European small-cap equity mandates were the main source of underperformance. The defensive bias adopted by the investment managers explains their negative contribution to the FRR's relative performance of 26 basis points (net of fees, including management fees) after four years of very strong outperformance. On the other hand, the mandates invested in Japan benefited from the very strong appreciation of the Japanese market and very good stock picking by the investment managers. As a result they delivered a relative performance of just over 7 basis points. The other active equity and bond management mandates also generated a positive alpha, thanks to favourable stock selection, despite a difficult market in the second and third quarters, after the Fed's statements. This alpha offsets both the negative relative performance of European equities and the management fees of the active and passive mandates.

Since the start of the FRR's management, active management has generated a relative outperformance of 259 basis points before fees in relation to its segment and 141 basis points before fees in relation to the portfolio as a whole. In concrete terms, this represents EUR 292 million net of active management fees since the FRR was established in 2004.

2013	Mandate alpha
Net of fixed and variable fees	**in basis points**
North American equities	3
Pacific Basin equities	7
European equities	-26
Eurozone equities	0
Real estate	0
Commodities	0
Bonds	6
Ucits	3
ADECE	8
TOTAL	**2**

COMPOSITION OF THE FRR'S PORTFOLIO

STRUCTURE OF THE HEDGING AND PERFORMANCE COMPONENTS

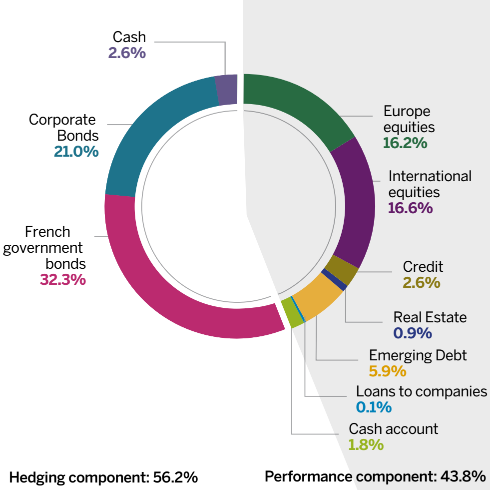
As of 31 December 2013, the FRR's portfolio comprised the following components:

- the performance component represented EUR 15.9 billion, i.e. 43.8% of net assets versus 41.4% at the end of 2012. The change in this weighting is linked to the performance differential between the performance assets and the hedging assets and the associated impacts.
- the hedging component represented EUR 20.4 billion, i.e. 56.2% of the FRR's net assets versus 58.6% at the end of 2012.

Within the hedging component, OAT-matched assets accounted for 57.4% and are held on a buy-and-hold basis, in other words they are held until maturity.

The FRR's portfolio combines index-tracking mandates of high unit value and active investment mandates that seek relative outperformance.

> General structure of the portfolio



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

"Requests for proposals: a year of intense activity"

In accordance with article L.135-10 of the French Social Security Code, with the exception of the management of cash requirements, all the FRR's investments are made through external fund managers recruited via public tender procedures. "Portfolio" investments therefore consist of investment mandates, or UCITS subject to a rigorous selection procedure.

The "request for proposals" activity is closely linked to changes in the asset allocation structure and the maturity schedule of mandates, the duration of which may not exceed four or five years.

First, two requests for proposals launched in 2012 were finalised in 2013:

- "**SRI Equities" Management Lot 1 (sustainable development related themed** funds mandate) with the selection of BNP Paribas Asset Management and Kleinwort Benson Investors;
- and "**Transition Operations" Management** with the selection of three candidates: Blackrock Advisors (UK) Limited, Goldman Sachs International and Russell Implementation Services.

Secondly, a request for proposals for the selection of a provider of **extra-financial risk analysis services** was launched and led to the selection of Eiris Ltd.

In addition, three new requests for proposals linked to the renewal of expiring mandates were launched with regard to:

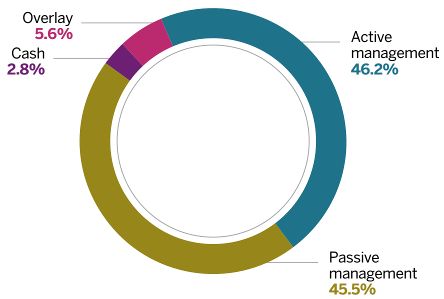
- small-cap **European and French equities** under active management, with two lots, one for European small-caps and the other for French small and mid-caps;
- **japanese equities** of all market capitalisations, under active management;
- and small and mid-cap **US equities**, under active management, in two lots ("Value" and "Growth").

These requests for proposals will be finalised during 2014.

the FRR believes are most likely to generate a return. As of 31 December 2013, around 46% of the FRR's total net assets and 58% of equity investments were actively managed.

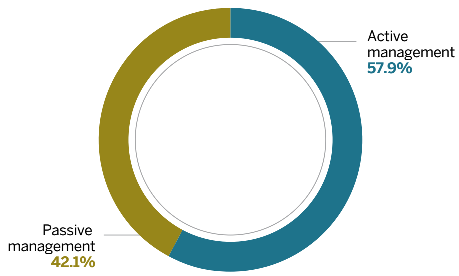
The FRR also invests in a number of asset classes (emerging debt, emerging equities, high yield corporate bonds, loans to the economy and money markets) via UCITS, for the most part actively managed

> Breakdown of management types[1]
breakdown of management styles



1. Corresponding, as of 31 December 2013, to EUR 2 billion under overlay management, EUR 1 billion in cash, EUR 16.5 billion under passive management as of and EUR 16.8 billion under active management.

> Breakdown of management types for the base of assets invested in equities, excluding overlay[2]
breakdown of management types for the base of assets invested in equities, excluding overlay

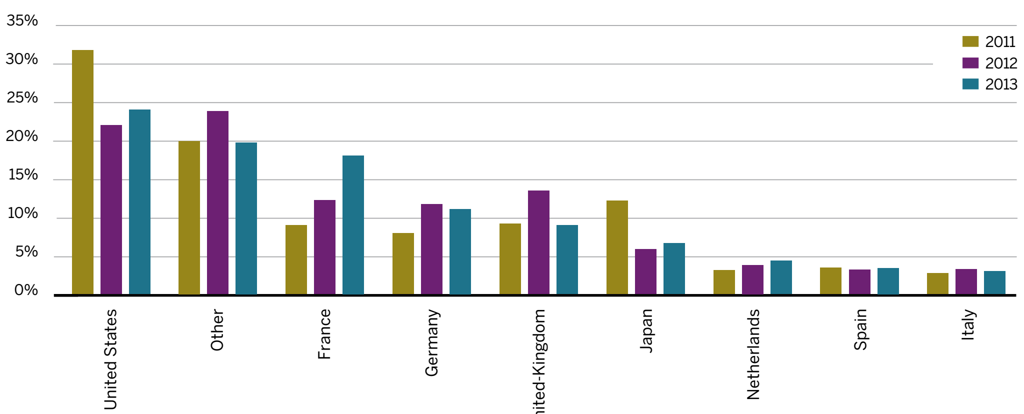


2. Corresponding, as of 31 December 2013, to EUR 4.4 billion under passive management as ofand EUR 6.1 billion under active management.

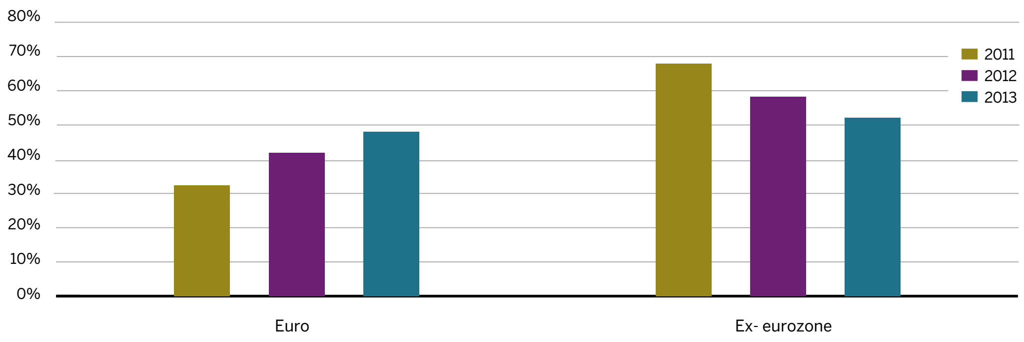
PERFORMANCE ASSETS

As of 31 December 2013, the market value of the portfolio of physical equity mandates amounted to EUR 10.5 billion, excluding overlay management, plus EUR 4.8 billion of collective funds invested in emerging market equities and debt securities and in high yield bonds.

> Changes in the geographical breakdown of equity mandates



> Changes in the geographical breakdown of equity mandates



"Doubling of the French weighting in the performance portfolio"

Following the Supervisory Board meeting of March 2013, the FRR implemented an increase in the French weighting in the performance component (which represented only 7%[3] at the end of 2011), in particular via a significant increase in French equities. In 2013, around EUR 500 million was invested in large-sized French companies. An active strategy focused on small and mid-cap companies will be established during 2014. The French share has thus doubled in two years and accounted for 13% of the performance component at the end of 2013. It is due to be increased to around 15% in 2014.

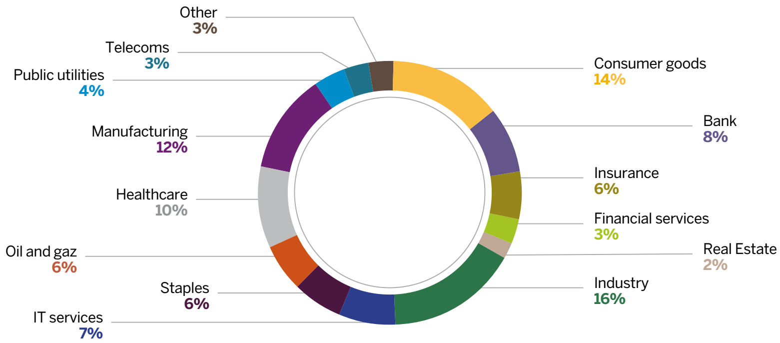
Moreover, the eurozone share also increased. It increased to 35% at the end of 2013, compared with 24% at the end of 2012, driven by:

- the increase in the FRR's investments in eurozone large-caps to the detriment of European non-euro equities;
- the strong performance of the European small-cap equity mandates, which automatically increased the value of assets under management;
- the activation in 2012 of ADECE (Developed country equities exposed to growth in the emerging economies) mandates, 50% invested in Europe;
- the transfer of the optimised indices from Europe to the eurozone, in order to enhance currency risk management.

Lastly, the portfolio of loans to the economy, fleshed out in 2013, must be invested in the eurozone and 50% in France, in order to play a full role in supporting the French economy. Therefore, the FRR portfolio, like that of many pension funds, especially European funds, has a certain domestic bias.

3. Excluding money market instruments, commodities and real estate.

> **Sectorial breakdown of the equity portfolio** as of 31 December 2013



The sectoral breakdown is very close to that of the benchmarks the FRR uses to measure the performance of the investment managers of each investment mandate. The differences reside, on the one hand, in the asset choices made by the investment managers and, on the other hand, in the investments, which may be passive but replicate optimised indices, which may diverge significantly from indices weighted by capitalisation. The "Other" heading of the graph mainly relates to the themed UCIs in which the SRI mandates are invested and the money market part of the equity mandates.

"Loans to the economy: a new asset class in the performance component intended to finance the French economy via funds"

These funds are intended to finance small and medium-sized companies via private placements or loans. As a result of regulations such as Basel 3 limiting the volume of bank lending in proportion to a bank's equity capital, economic activity needs the support of long-term investors. In this way, the FRR plays a decisive role in supporting economic activity, especially in France. It thus participates in the development of new ways of financing SMEs and mid-tier companies, while delegating their management to recognised specialists.

During 2013, the FRR participated in three investments in private debt securities, for a total commitment of EUR 180 million, i.e. approximately 0.5% of its assets under management.

The first commitment was signed in June 2013 for an amount of EUR 60 million in a fund managed by Idinvest Partners whose object is to invest in acquisition debt and, thereby, to facilitate corporate acquisition in Europe as part of a development policy. At the end of December 2013, approximately 50% of the commitments had been invested in 18 companies, half of which are established in France.

The second commitment was signed in October with the participation of the FRR in the Novo fund (a commitment of EUR 120 million), managed by BNPP AM and Tikehau IM, selected following a request for proposals organised by investors, including a large number of insurance companies. The role of these funds is to finance French SMEs and mid-tier companies in the non-financial sector by investing exclusively in private placement bonds. The scheduled investment period is two years and, at the end of December 2013, an initial investment had been made in a constantly growing French company that manufactures building materials.

HEDGING ASSETS

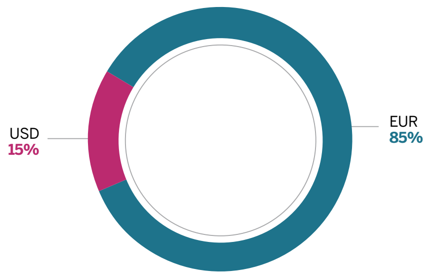
The share invested in investment grade corporate bonds denominated in euro has increased from 8.50% at the end of 2012 to 12.75% of net assets at the end of 2013. Eurozone and US corporate bonds together represented more than 37% of the hedging component. The investment grade corporate bonds component has increased from 16.4% of the FRR's assets at the end of 2012 to 21% of net assets at the end of 2013.

The hedging portfolio comprises mainly (85%) euro-denominated bonds, resulting in a low level of yield curve risk vis-à-vis liabilities, in particular following the reduction of investments in foreign government debt. Moreover, all the investments in bonds denominated in a currency other than the euro are fully hedged against currency risk within the hedging component.

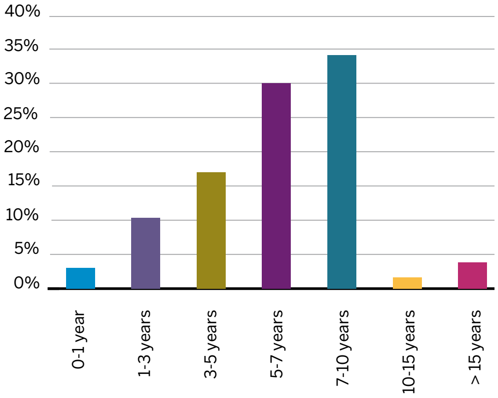
The FRR had very significant 5-7 years maturity holdings at the end of 2013 following the entrance in this segment of the 2020 maturity which corresponds to the repayment of the CNIEG balance to the CNAV. Moreover, the most common maturity is 7-10 years (34.14% of the component), in line with the liabilities which expire in just over 10 years.

The average modified duration of the hedging portfolio is 5.

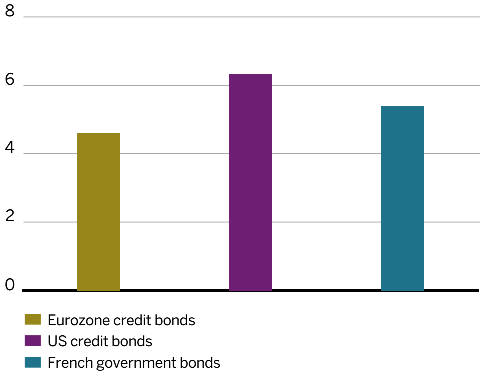
> Breakdown of fixed income mandates by currency as of 31 December 2013



> Structure of fixed income mandates by tranche of maturity as of 31 December 2013



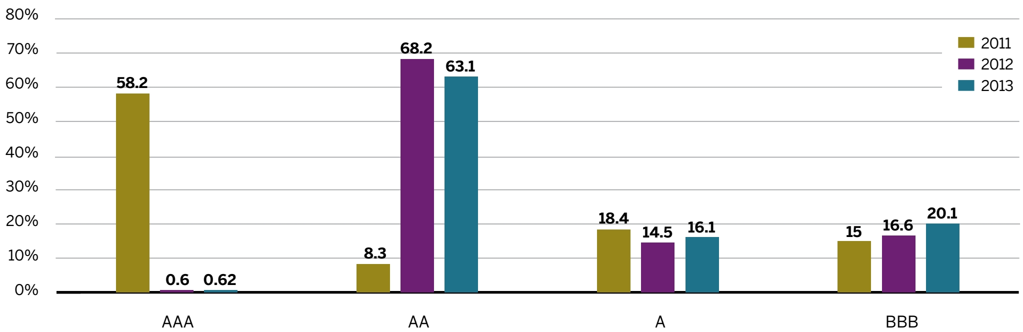
> Modified duration of bond segments as of 31 December 2013



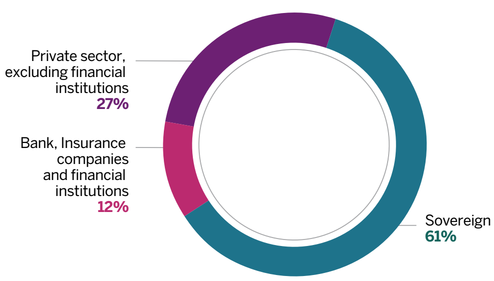
The assets in the hedging portfolio have good credit ratings: the lowest rated investment grade issuers (from BBB+ to BBB-) of the component do not exceed 20.1%. These issues are concentrated in active investment mandates on eurozone and US corporate bonds and are closely monitored. Their growing weighting over the last three years is evidence of the opportunities that the FRR's investment managers have identified in this segment and changes in the structure of the index. The sharp fall in the proportion of bonds rated AAA, offset by the increase in securities rated AA, is due to the large proportion of French government securities held and the fact that France's credit rating was cut during 2012.

As regards issuers, more than 61% of fixed income assets are government bonds, 12% are issued by banks and 27% are investment grade corporate bonds. If we also take account of the bonds held in the performance portfolio, which represent 15% of the FRR's bond holdings, all components taken together, these proportions would fall to 53% for government bonds, 10% for banks and 23% for investment grade corporate bonds.

> Changes in fixed income ratings on the basis of external fixed income management mandates



> Breakdown of the fixed income products by category of issuers
as of 31 December 2013



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

THE FRR HAS RENEWED ITS RESPONSIBLE INVESTMENT STRATEGY FOR THE NEXT FIVE YEARS

2013 was a special year for the FRR as regards SRI, since its Supervisory Board adopted its new Responsible Investment Strategy to be implemented over the next five years. This is a continuation of the FRR's existing approach and is implemented differently according to the specific characteristics of each investment instrument. This new strategy goes beyond the traditional scope of SRI, in particular by including small and mid-caps and theme-based management.

The 2013-2018 strategy 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.

COMPONENT 1
INTEGRATION OF ESG FACTORS IN ASSET MANAGEMENT

This component consists in measuring and tracking changes with regard to specific FRR criteria. The aim is to disseminate the values upheld by the FRR by being as explicit as possible in the indicators collected, and to support the continuous improvement of the companies in which its invests.

COMPONENT 2
MANAGING SOCIAL RESPONSIBILITY

This component focuses on two approaches. The first deals with the activities of the companies in which the FRR invests and the way in which these companies carry out their activities, in particular with regard to the Global Compact. The second concerns the impacts inherent in tax practices.

FRR RESPONSIBLE INVESTOR

COMPONENT 3
EXERCISE OF THE FRR'S VOTING RIGHTS

The Supervisory Board has determined several principles with regard to the exercise of the FRR's voting rights. Thus, the FRR's shareholder rights at general meetings must be systematically exercised by each of the investment managers, in accordance with the guidelines established by the FRR, irrespective of the position held, the size of the company or its location.

COMPONENT 4
CONTRIBUTION TO RESPONSIBLE INVESTMENT RESEARCH AND SUPPORT FOR INTERNATIONAL INITIATIVES

The FRR's objective via this component is to improve knowledge with regard to responsible investment and to ensure that the work is shared as widely as possible. In this context, the FRR supports the Sustainable Finance and Responsible Investment Chair (FDIR).

Moreover, the FRR participates actively in the following initiatives: Principles of Responsible Investment (PRI), Carbon Disclosure Project (CDP), CDP Water, Extractive Industries Transparency Initiative (EITI) and International Corporate Governance Network (ICGN).

MONITORING EXTRA-FINANCIAL RISKS

Every year the FRR assesses the extra-financial risks to which it is exposed. En 2013, following a request for proposals, the FRR selected Eiris Ltd, a company that specialises in extra-financial research, to analyse its portfolio. Eiris Ltd conducted its analysis on the basis of portfolio data as of 31 October 2013. The framework of reference used was that defined in the FRR's responsible investment strategy, which **covers the principles of the Global Compact and the Ottawa[1] and Oslo[2]** Conventions, as well as the principles of good governance.

The assessment, presented to the FRR's Responsible Investment Committee, covers all corporate issuers, regardless of whether they are established in developed or emerging countries. The analysis covers the whole portfolio, regardless of whether the securities are held directly via investment mandates or indirectly via funds.

The analysis of all the controversies identified in the FRR portfolio shows that 228 companies, i.e. 3.9% of issuers are the subject of allegations. Among these allegations, eighty-nine are considered as serious infractions and in the case of seventy-two companies they are unresolved. These companies accounted for 1.2% (versus 1.78% in 2012) of the companies in the portfolio and are being monitored particularly closely by the FRR and its partner Eiris Ltd.

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

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

The FRR's new strategy goes beyond the traditional scope of SRI, in particular by including small and mid-caps and theme-based management.

The volume of these allegations with regard to developed markets has fallen slightly. Allegations representing a high risk were made against forty-one companies in 2013 (compared with 48 in 2012).

The number of allegations observed on emerging markets has also decreased: among the companies involved on these markets, thirty-one were the subject of allegations relative to the Global Compact representing a high risk, compared with forty-three in 2012.

Financing the "Sustainable Finance and Responsible Investment" Chair

The Sustainable Finance and Responsible Investment Chair, organised jointly by Sébastien Pouget (Toulouse 1 Capitole University, IDEI-TSE and IAE) and Patricia Crifo (Economics Department of the Ecole Polytechnique), was created in 2007, in particular at the instigation of the FRR, the CDC and the AFG.

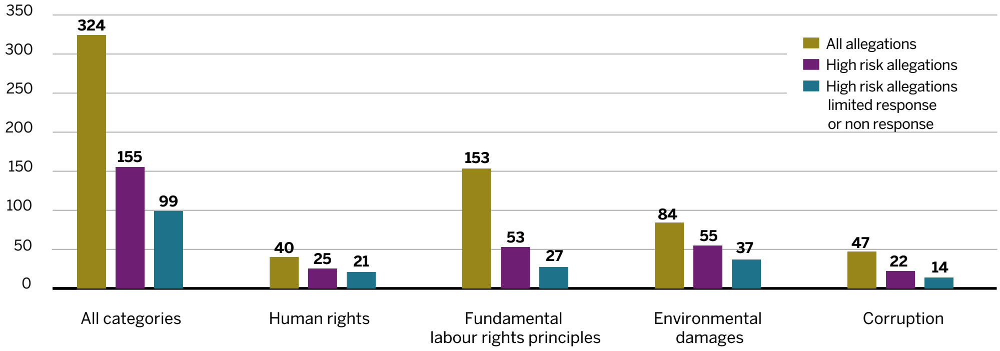
On 7 December 2012, the members of the Chair defined four priority research projects for the period 2013-2015: the SRI motivation of investors, the link between extra-financial performance and bond markets, corporate governance and shareholder commitment.

The members of the Chair subsequently decided to work on two additional projects. The aim of the first project, initiated by the FRR, is to establish a link between the ESG (Environment, Social and Governance) performance of small and medium-sized enterprises and their stock market performance. This project will be followed in particular within the framework of the FRR's specific responsible investment mandates. The second project focuses on shareholder engagement at company general meetings.

Analysis by domain

As in the past, the majority of the allegations made concern fundamental labour rights (around half of the allegations, i.e. 47% of the FRR portfolio).

> Breakdown of allegations by category and risk level (direct and indirect holdings)



Source : EIRIS Ltd

They concern developed countries (49%) and emerging market countries (44%) alike. The latter figure has increased since 2012, when it represented 39%.

The proportions of allegations related to environmental and human rights infractions are stable and represent 26% and 12% respectively of allegations.

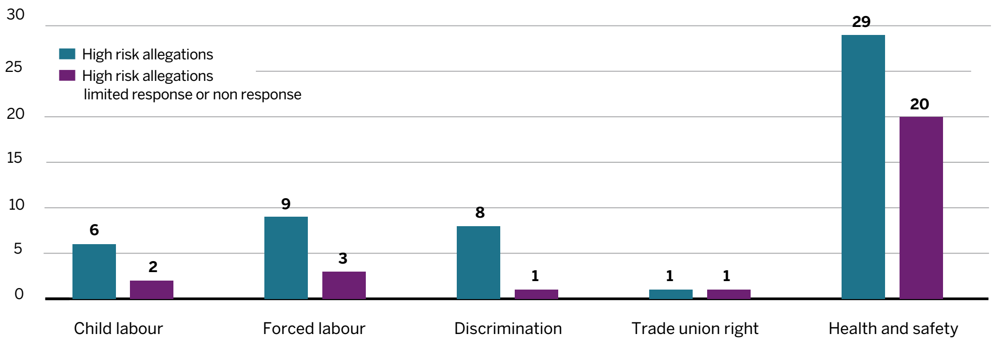
Analysis by geographical area

Regardless of the nature of the allegations concerning emerging countries, they have a similar risk level to that of developed countries (47% versus 48% for developed countries). However, the response level of companies in emerging countries is lower. The percentage of responses considered as inadequate by Eiris Ltd is 39% for emerging countries versus 27% for developed countries.

For all geographical areas, the labour related allegations essentially concern "health and safety".

The main themes highlighted in emerging countries concern "health and safety" and "forced labour".

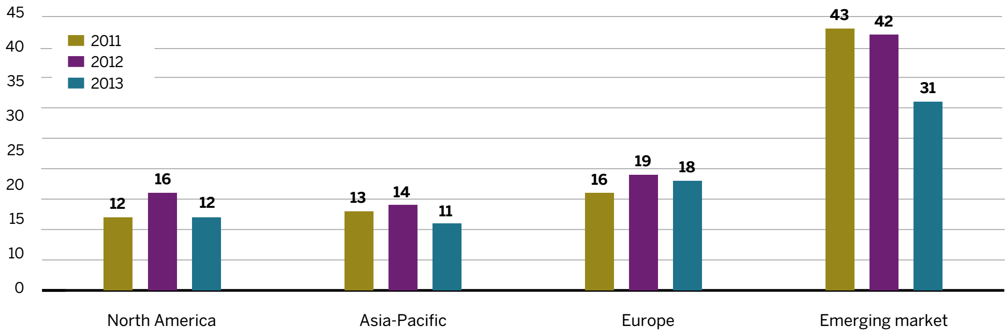
> Breakdown of the number of allegations concerning fundamental labour rights, by domain (direct and indirect holdings)



Source: EIRIS Ltd

Concerning the FRR's investments in developed countries, the majority of the alleged violations of international standards concern companies that are have their registered office in the United States, with a total of sixty-two companies concerned (i.e. more than 40% of the total number of companies in the portfolio faced with allegations). 10% of the US companies analysed by Eiris Ltd are the subject of allegations. This percentage is similar in the United Kingdom and France.

> Changes in the breakdown of "high risk, inadequate response" allegations by region between 2011 and 2013 (direct and indirect holdings)



Source: EIRIS Ltd

Analysis by sector

In terms of sectoral trends, the electronic, clothing and distribution sectors are those where the most allegations regarding fundamental labour rights have been observed.

Industry is the most problematic sector, with forty-six companies being the subject of allegations. It is closely followed by the basic materials sector (44 companies), then by consumer services (30 companies) and the oil and gas (30 companies) sector. The FRR has noted that for the latter, almost half of cases represent a high risk. The health and telecoms sectors are the least affected, with 12 companies in total being the subject of allegations, including 3 considered as high risk.

Among the forty-one controversial companies in which the FRR has a direct investment via its mandates, only thirteen companies (i.e. 32%) were selected as part of an active management process. Among them, the FRR has selected for its dialogue programme a dozen companies whose shares are held via mandates, and for which the controversial practices identified represent a "high risk with an inadequate or zero response by the company". The FRR implements its dialogue programme in partnership with its investment managers or within the framework of the PRI (Principles for Responsible Investment) Clearinghouse.

Exclusions linked to prohibited weapons

As regards prohibited weapons, **the FRR added two new companies to its exclusion list in 2013**. On 2 February 2013, the Responsible Investment Committee identified Hanwha Corporation and Poongsan for their involvement in the manufacture of anti-personnel mines and cluster bombs and decided to add their names to the FRR's exclusion list. Moreover, it decided to adopt an upstream approach in this area, involving not only companies in the FRR portfolio, in order to ensure that the list reflects the securities in which it does not want to invest.

At the end of 2013, the following companies were on the FRR exclusion list:

Issuer	Country
Aeroteh	USA
Alliant Techsystems	USA
Aryt Industries	Israel
General Dynamics	USA
Hanwha Corporation	South Korea
Hellenic Defense Systems	Greece
Israel Military Industries	Israel
L-3 Communications Holdings	USA
Larsen & Toubro	India
Lockheed Martin	USA
Poongsan Holdings	South Korea
Raytheon	USA
Roketsan	Turkey
Singapore Technologies Engineering	Singapore
Tata Power	India
Temasek Holdings	Singapore
Textron	USA

The FRR's responsible commitment and its experimental approach

This concerns all mandates

In 2013, the FRR pursued its policy of integrating responsible investment in its work processes. In particular, in its procedures for selecting new investment managers, it increased the weighting given to the way in which they integrate extra-financial risks in their asset management approach. When assessing its investment managers, the FRR attaches particular importance to the participation of the candidate management companies in various initiatives such as Principles for Responsible Investment (PRI). Moreover, the investment mandates awarded by the FRR require the investment managers to comply with the collective values that contribute to balanced economic, social and environmental development and to carry out the extra-financial analyses necessary for the appropriate management of their portfolio. Other than systematically exercising voting rights in accordance with the FRR guidelines, investment managers must also produce specific twice-yearly reports on the portfolio's ESG aspects.

Themed fund mandates: 150 million euro under management since November 2013

Two collective fund mandates were launched at the end of 2013. They are a novelty for the FRR as this approach will allow the FRR to gain exposure to the themes of water, environmental technologies, waste treatment and management and renewable energies through the collective funds chosen by selected investment managers.

Active management mandate – SRI small and mid-cap equities (EUR 200 million since March 2013)

The principal objective assigned to the three investment managers selected is to generate performance in line with or greater than that of the European equity markets by selecting small and mid-cap companies that have implemented an environmental, social and governance (ESG) programme or are planning to do so.

Within the framework of these mandates, the FRR has requested that its investment managers adhere to its own ESG indicators, which it has defined in such a way as to ensure that they are universal and easy to collect. These indicators are, inter alia, consumption and management, staff turnover rates, absenteeism, the percentage of employees sharing in company profits, the composition of the Board of Directors (male/female parity, number of independent directors), the holding of multiple positions (chairman/managing director).

EXERCISE OF VOTING RIGHTS

As of 31 December 2013, the FRR had voted via its management companies on 2,292 stocks, i.e. the whole of its equity portfolio in all the countries where it invests.

Far from being a watershed year, as was the case in 2011, 2013 was a continuation of 2012, with a resolution approval rate of around 85% for the FRR's portfolio as a whole. The approval rate for French companies in 2013 was 80%.

Voting at general meetings is intended to support companies and not to call into question their economic, social and human development. That is why the FRR has opted for broad guidelines for the exercise of voting rights, in order to enable management companies which vote on its behalf to adopt a pragmatic approach when assessing companies, by taking account of local conditions with regard to governance, regulations and the company's economic situation.

On the basis of the votes cast by the management companies selected via requests for proposals, the FRR pays close attention to a series of recurring themes, namely:

- the Board of Directors (holding of multiple offices, independence and diversity of directors (parity, nationality), independence of Board committees);
- remuneration (regulated agreements, transparency of remuneration, allocation of options and free shares, etc.);
- transactions affecting the capital (authorisation for capital increases without preferential subscription rights, anti-takeover measures).

This system enables the FRR to cover a large number of governance issues raised at general meetings in France and abroad, and to pay special attention to shareholder resolutions, in particular those relating to environmental and social issues.

Lastly, governance and the remuneration of executive directors, which were key issues in 2013, will remain the focus of the FRR's attention in 2014, with the application of "Say on Pay" in France and its possible reinforcement at Community level.

RISK MANAGEMENT AND CONTROL

GOVERNANCE OF RISK MANAGEMENT

Following the pensions reform of 2010, the Board of Directors determines on an annual basis the FRR's strategic allocation, which relies on an investment model ensuring a high level of liability hedging.

The FRR's investments are mainly made via mandates awarded to investment managers selected following requests for proposals. However, some investments (maximum 15%) may be made directly by purchasing UCIs.

The main financial and operational risks incurred by the FRR are analysed every month by a Risk Committee, which also examines new financial investment proposals and defines the risk frameworks applicable at the FRR. This committee is chaired by a member of the Management Board and supported by the Performance and Financial Risk Department (DPRF) and the Head of Operational Risks. It also analyses portfolio performance, as calculated by the Performance and Financial Risk Department, which is independent from financial management. In general 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, where applicable, issues an opinion. It also sits on various internal bodies (Tactical Investment Committee, Strategic Allocation Steering Committee, etc.). Each year it issues an opinion on the strategic allocation review which its presents to the Supervisory Board meeting at which this review is conducted.

The overall portfolio's level of annual volatility has remained historically low since the FRR was launched.

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 vis-à-vis the CADES and the CNAV, which are the Fund's two main creditors.

The FRR has to pay EUR 2.1 billion every year to the CADES up to 2024, and to repay the CNIEG balance to the CNAV in 2020. This balance amounted to EUR 4.1 billion at the end of 2013 and its amount will vary depending on the FRR's performance between 2014 and 2020.

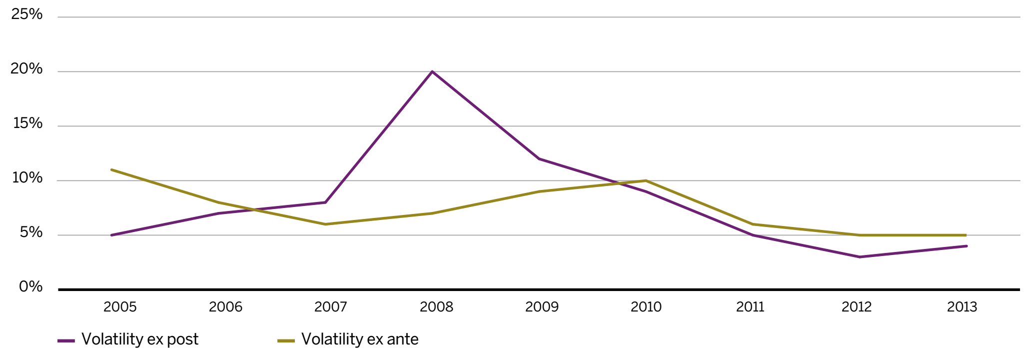
The funding ratio of these liabilities, which is the ratio between the market value of net assets and the present value of the FRR's liabilities increased significantly during 2013, from 135.4% to 144%. This is an indicator of the FRR's ability to meet its liabilities commitments.

The portfolio's market risks

In 2013 various improvements were made to the methods used to measure the portfolio's market risk:

- change from a parametric type Value at Risk (VaR) calculation method with a confidence interval of 95% to a Monte Carlo type method with a confidence interval of 99%;
- better integration of the impact of currency hedging;
- better risk breakdown of the various asset-liability hedging strategies and improved risk calculation as regards the surplus of assets over liabilities.

> Observed and projected annual volatility



The overall portfolio's level of annual volatility has remained historically low since the FRR was launched, both when measured ex-ante (the portfolio's projected volatility) or ex post (volatility measured a posteriori).

The ex-post annual volatility of the value of the FRR's assets was 4.47% in 2013 (versus 3.43% in 2012) with an annual return of 5.03% (versus 10.51% in 2012).

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

Thus, 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 11.03% of the FRR's assets (versus 9.95% in 2012), i.e. EUR 4 billion. This increase was due in part to the appreciation in value of risky assets in 2013.

Equity risk

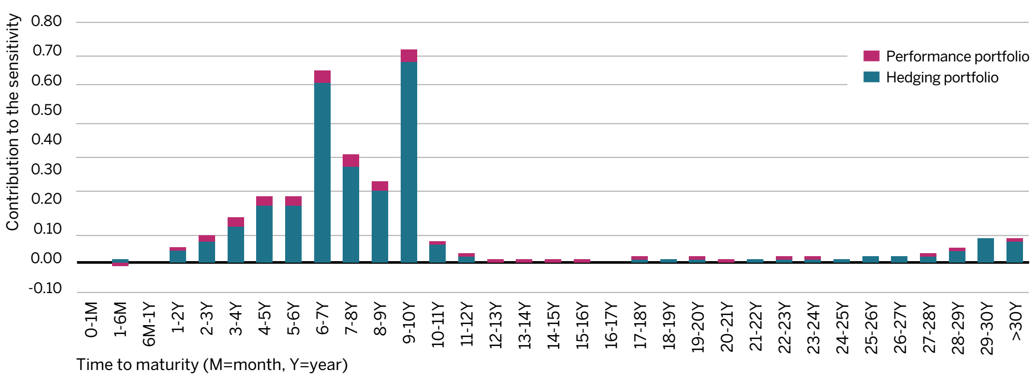
Equities represent the most significant risk factor in CVaR. The average potential loss linked to changes in equity prices in 1% of the worst case scenarios is 8.25% of the FRR's assets, i.e. EUR 3 billion (versus 9.12% at the end of 2012). This relative decrease in equity risk is chiefly due to the fall in equity volatility observed throughout 2013.

Interest rate risk

At the end of the year, the average potential loss linked to yield curve changes (excluding changes in credit spreads) measured by a one year CVaR at 99%, is 4.7% of the FRR's assets, i.e. EUR 1.7 billion on the market value of the FRR's portfolio.

The sensitivity of the FRR's portfolio to all yield curves is 3.24, compared with a sensitivity of liabilities (in relation to the value of the balance sheet) of 3.19. Thus, for a uniform change of 100 basis points across all yield curves, the FRR's portfolio would increase by 3.24%, i.e. around EUR 1.1 billion.

> Contributions to the sensitivity of the FRR's assets, by component and by maturity



The portfolio's credit risk

In 2013, several improvements were made to the credit risk assessment and monitoring framework (improvement of the quality of data, enhanced calculation tools, etc.).
The table below contains a breakdown by rating of the FRR's fixed income assets at the end of 2013. The bulk of these assets (93%) are investment grade securities.

	AAA	AA	A	BBB	≤ BB or NC
2013	1%	54%	18%	21%	7%
2012	1%	53%	23%	17%	6%

The quality of the issues is stable compared with 2012. Nevertheless, the share of securities with an A rating has decreased, in correlation with a slight increase in the share of BBB rated securities. This is due in particular to the increase in investments in emerging market debt and high yield bonds and, as a result, the reduction in money market UCIs at the end of the financial year.
At the end of the year, the average potential loss linked to changes in credit spreads, calculated using a one year CVaR at 99%, is 0.92% of the FRR's assets, i.e. EUR 335 million.
Specific, particularly conservative limits have been set for investing the FRR's cash balances.

Counterparty risk

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[1] Bank's clearing services for foreign exchange, limits per counterparty. Ultimately, the FRR's overall exposure to counterparty risk was EUR 97 million at the end of 2013, i.e. down on 2012 when it was EUR 209 million. Furthermore, the Risk Management Department has taken steps to ensure that the method used to calculate exposure is far more conservative than standard market methods.

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.

1. Continuous Linked Settlement: Clearing and settlement system which reduces counterparty risk.

Currency risk

The FRR's portfolio is partly invested in foreign currencies. The performance portfolio's currency risk is 90% hedged, via forward currency contracts that are renewed periodically, with the exception of the currency risk in respect of emerging currencies, for which price changes may constitute a factor that contributes to the overall performance objective. The hedging component's currency risk has been fully hedged since 2011.
This hedging statistically improves the risk/return ratio for developed country currencies because it reduces the portfolio's volatility without reducing net performance.
Moreover, the calculation of market risk on currency positions has been improved by allocating a foreign exchange effect to each of the asset classes concerned.

Risks of the managers' performance monitoring differing from that expected of strategic allocation (risk relating to the managers' performance)

The volatility of deviations between the performance of the strategic allocation and real allocation performances is measured by tracking error (TE) type indicators. This concept is defined as the annualised standard deviation in performance between the portfolio and the benchmark allocation target.
More specifically, two components of this indicator are monitored:

- the mandate selection TE, representing the deviation between the management of the mandate and its benchmark. This mandate selection TE was 25 basis points at the end of 2013.
- the overall TE of the actual portfolio versus the target strategic allocation was 50 basis points at the end of 2013 after having reached a maximum of 66 basis points during the year.

In 2013, all the investment managers complied with the ex-ante TE limits specified in their investment mandate.
Lastly, the system for analysing sources of performance deviations between the portfolio and the target strategic allocation was further improved in 2013 from various perspectives (flexible management, selection of optimised indices, delegated management, etc.).

Risk on financial contracts, in particular derivatives

To enable the FRR to invest securely in forward financial instruments, the regulatory authority decided in 2001 to subject the FRR, with regard to its investments in derivatives, to a legal framework similar to that applicable to coordinated UCIs.

The FRR applies the risk monitoring principles for transactions in financial instruments set out in the AMF[2] regulation of November 2011 on the method for calculating the overall risk of UCIs. These principles specify two calculation methods implemented by the FRR:

- a method of calculating the commitment under a financial contract for non-complex derivatives;
- a method based on VaR calculations in the case of the large-scale use of complex financial contracts.

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. The value of commitments at the end of 2013 represented 8.06% versus 12.48% at the end of 2012, and is therefore still significantly below the regulatory ceiling of 100%.

Liquidity risk of assets under management

The FRR manages two limits in particular:

- a holding limit on companies' capital: the FRR may not hold more than 3% of the shares of a single issuer (with the exception of the private equity portfolio);
- a holding limit on UCIs. the maximum holding limit for UCIs set by the FRR is 20%, with an initial threshold alert at 15% (except in very specific cases where a derogation is allowed).

OPERATIONAL RISKS

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

The FRR's operational risk management system is based on regular risk mapping exercises and monitoring the action plans drawn up on the basis of such risk mapping. Moreover, operational incidents are catalogued and analysed in order to identify the impacts, as well as corrective measures and improvements to prevent their reoccurrence. The analysis of incidents, the evaluation of their impacts and the proposed corrective measures and improvements are presented for validation at Risk Committee meetings.

Investment mandates account for the bulk of the FRR's portfolio. Therefore, the FRR pays particularly close attention to the mandate selection and management process as a whole: selection of investment managers in accordance with the French Code of Public Procurement Contracts, monitoring of services and portfolio management during the life of mandates, monitoring of incidents, the procedure for supervising investment managers that have not complied with their obligations.

Lastly, the impacts and consequences of various scenarios with the potential to compromise the continuity of the FRR's business were analysed (pandemic, flood, fire, supplier default, etc.). Preventive measures and a business continuity plan, as well as an annual fallback test on an external site have been put in place.

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 staff are bound by a code of conduct that lays down the rules for professional and personal behaviour.

The risk of money laundering is inherently limited in view of the FRR's modus operandi, and is moreover subject to specific 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 internal provisions.

Ensuring compliance is an objective shared by all of the FRR's staff:

- as management companies are obliged to comply with the mandate as regards the rules laid down in the documentation, the FRR monitors compliance by the investment managers with their contractual obligations on a daily basis;
- the FRR also checks that the investments made via UCIs comply with internal rules;
- lastly, the FRR ensures that its regulatory ratios are complied with (diversification between issuers, holding limit on the capital of companies in the portfolio, exposure to currency risk, exposure to collective funds, various commitment ratios).

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

2. *Autorité des marchés financiers (French Financial markets Authority).*

ORGANISATION AND COSTS

ORGANISATION AND HUMAN RESOURCES

During 2013, staff numbers were cut further in line with the need to control costs, as required by the implementation of the FRR's financial model.

As such, the number of staff was reduced to 49 in 2013 (versus 51 in 2012), as a result of staff reorganisation. The authorised staff ceiling, which was 56 in 2010 will be reduced to 48 in 2014, i.e. a reduction of 14.3% in four years. In the coming years, the FRR will strive to implement strict cost controls, while maintaining a demanding level of process security. Moreover, in 2013, for the third consecutive year, the FRR's staff turnover was lower than in the previous year (6% versus 12% in 2012 and 25% in 2011). Priority is given to internal promotions and the recruitment of younger employees.

THE FRR'S COSTS

Total expenses amounted to EUR 91.8 million in 2013, i.e. up by 18% on 2012.

This significant increase in expenses was mainly due to the decision to recognise during the financial year in-fine performance fees relative to the US, Japanese and European equity mandates initiated in 2010, and which expire in Q1 2014. In 2013, total management fees (fixed and variable) amounted to EUR 70.0 million (versus EUR 55.2 million in 2012), i.e. 76.3% of total expenses. The performance fees in respect of equity mandates amounted to approximately EUR 28.9 million. Variable management fees also include EUR 10.9 million of performance fees in respect of investment grade credit mandates (versus EUR 27 million in 2012). These performance fees are used to remunerate investment managers for the value added created which is around four times higher than the fee paid.

Fixed financial management fees (EUR 26.7 million of evaluative credits for 2013) are up on those of 2012 (EUR 22.8 million). This increase can be explained by the activation, during Q1 2013, of new SRI and ADECE (Developed country equities exposed to growth in the emerging economies) mandates, which carry higher fee rates than those of more standard mandates. This increase was also linked to the increased weighting given to the Euro Credit lot in the 2013 strategic allocation.

The replacement of the CDC as custodian in May 2013 enabled the FRR to reduce fund custody and administration costs significantly.

On average, the discretionary investment management fee rate[1] for 2013 was 18.5 basis points, including 11.1 basis points in variable fees.

Concerning the other evaluative expenses, the replacement of the CDC as custodian in May 2013 enabled the FRR to reduce fund custody and administration costs significantly (EUR 9.4 million versus EUR 10.8 million in 2012, i.e. down by 12.9%, including the costs involved in the switch from CACEIS to BPSS). This trend is expected to continue after a full financial year with the new service provider in 2014.

Overall, the inherently variable expenses (management fees, fund custody and administration charges, i.e. EUR 79.5 million in total) accounted for 87% of expenses in 2013 (EUR 91.8 million), compared with approximately 85% in 2012.

Lastly, structural expenses (payroll, IT and consultancy costs and other general overheads) were up by EUR 0.5 million on 2012 (EUR 12.3 million), but correspond to only 0.034% of assets under management. In this heading, real payroll expenses costs were 7% higher than in 2012. As the Fund's staff turnover was lower in 2013, a larger proportion of staff worked throughout the full year.

1. Excluding overlay management.

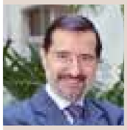
MANAGEMENT STRUCTURE CHART*

SUPERVISORY BOARD

Chairman: **Alain Vasselle**
Vice-Chairmen: Jean-Louis Beffa,
Jean-Christophe Le Duigou

MANAGEMENT BOARD

Chairman:
Pierre-René Lemas



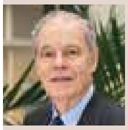
Member:
Yves Chevalier

Member:
Olivier Rousseau

Assistant: Brigitte Dahan

MANAGER SELECTION COMMITTEE

Chairman: **Olivier Rousseau**



Member:
Thierry Coste

Member:
Catherine Guinefort

Member:
Jean-François Marie

Member:
Marcel Nicolaï

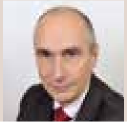
INTERNAL ACCOUNTING

Patrick Hédé

Thierry Tacinelli,
Marie-Christine Huguet

**As of 30 June 2014.*

OPERATIONS AND RISK DIVISION



Yann Derrien

Assistants:
Martine Carton, Nathalie Lalande

HUMAN RESOURCES AND MANAGEMENT CONTROL DEPARTMENT

Jérôme Houdbine

Nicolas Umbach-Bascone,
Romaric Bolzan,
Inès Gervais

INFORMATION SYSTEMS, ORGANISATION AND PROJECTS

Sabine Botras

Eve Amsellem,
Ronan Hénaff

PERFORMANCE AND FINANCIAL RISK DEPARTMENT

Pierre Leygue

Abdelouahid Akarkoub,
Ronan Meunier, Antoine Dupaquis,
Minh Tram, Walter Villefroy

OPERATIONAL RISKS

MIDDLE OFFICE DEPARTMENT

Bernard Pariset

Operational Supervision of Mandates
Duc Tien Bui Van,
David Marques, Jérôme Nedelec

Internal Accounting Controls
Mordi Kadosch, Alain Brivet

FINANCE DIVISION

Salwa Boussoukaya-Nasr

Assistant:
Karine Bocquet

DELEGATED MANAGEMENT DEPARTMENT

Cristel Haution Sarac

Manager Selection
Hervé Seignol
Charles-Antoine Poupel

Responsible Investment
Mickaël Hellier

Mandate Supervision
Vincent Cordier, David de Souza,
Patricia Glon, François Tirmarche,
Jeremy Willems

ALLOCATION ADVISORY DEPARTMENT

Sébastien Doisy

Fanny Ainouz, Pauline Mercier

STRATEGIC ALLOCATION DEPARTMENT

Pierre-Olivier Billard

Aymeric Dubois, Christophe Roger

LEGAL DEPARTMENT

Anne-Marie Jourdan

Florence Maury,
Alexandre Van Ooteghem

GOVERNANCE

SUPERVISORY BOARD

as of 31 May 2014

CHAIRMAN **Alain Vasselle**

MEMBERS OF THE NATIONAL ASSEMBLY

Michel Issindou *alternate* Charles De Courson

Bérangère Poletti *alternate* Gisele Biemouret

MEMBERS OF THE SENATE

Francis Delattre *alternate* Bertrand Auban

Muguette Dini *alternate* Georges Labazée

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
Jean-Christophe Le Duigou, Vice-Chairman of the Supervisory Board *alternate* Pierre-Yves Chanu

Confédération générale du travail – Force ouvrière
Jean-Jacques Poujade *alternate* Philippe Pihet

Confédération française démocratique du travail
Yves Canevet *alternate* Philippe Le Clezio

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
Agnès Canarelli *alternate* Éric Delabrière

Valérie Corman *alternate* Émilie Martinez

Alain Leclair *alternate* Jean-Claude Guéry

Confédération générale des PME
Geneviève Roy *alternate* Georges Tissié

Union professionnelle artisanale
Albert Quenet *alternate* Berthe Duguey

REPRESENTATIVES OF THE MINISTER FOR SOCIAL SECURITY APPOINTED BY ORDER OF THE MINISTER FOR SOCIAL SECURITY

Thomas Fatome *alternate* Jonathan Bosredon

Arnaud Jullian *alternate* Marie Daude

REPRESENTATIVE OF THE MINISTER FOR THE ECONOMY, FINANCE AND INDUSTRY APPOINTED BY ORDER OF THE MINISTER FOR THE ECONOMY, FINANCE AND INDUSTRY

Delphine d'Amarzit *alternate* Thomas Groh

REPRESENTATIVE OF THE MINISTER FOR THE BUDGET, APPOINTED BY ORDER OF THE MINISTER FOR THE BUDGET

Denis Morin *alternate* Gautier Bailly

MANAGEMENT BOARD

CEO OF THE CAISSE DES DÉPÔTS ET CONSIGNATIONS

MEMBERS OF THE MANAGEMENT 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 an asset management company

financial

2013 ANNUAL REPORT

information

FINANCIAL AND ACCOUNTING SUMMARY

In 2013, the FRR generated a profit of EUR 1.861 billion, following a profit of EUR 1.271 billion in 2012.

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 2013, recognising an equivalent reduction in its permanent capital.

However, the 2013 financial statements reflect the FRR's financial solidity, just as they did in 2012 and 2011.

The CNIEG's contribution is valued at EUR 4.06 billion, an increase of EUR 199 million.

Financial assets, transferable securities and available funds amount to EUR 36.07 billion.

In 2013 the FRR recorded a financial profit of EUR 1.952 billion, following a profit of EUR 1.349 billion in 2012.

In 2013 the FRR recorded a financial profit of EUR 1.952 billion, following a profit of EUR 1.349 billion in 2012.

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 as of 31 December. These differences, which were already positive in 2012 at EUR 2.4313 billion, were EUR 2.1432 billion as of 31 December 2012.

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 amounted to EUR 894.8 million versus EUR 878.6 million in 2012.

Foreign exchange transactions generated a net gain of EUR 475.7 million compared with a net loss of EUR 311.1 million in 2012.

Sales of transferable securities generated a surplus of EUR 606.8 million, compared with a surplus of EUR 921.7 million in 2012.

Lastly, financial futures recorded a net gain of EUR 214.4 million versus EUR 64.4 million in 2012.

BALANCE SHEET
AS OF 31 DECEMBER 2013

ASSETS – in euros	31/12/2013	31/12/2012
Fixed assets	**1,830,651.16**	**1,249,954.90**
Receivables	**8,272,231,827.18**	**8,583,856,988.07**
Allocations receivable by the FRR	-	-
Receivables from operations	3,456.80	-
Receivables on financial instruments	22,720,254.18	14,680,652.45
Receivables on forex transactions	8,127,348,002.01	8,402,633,417.64
Receivables on forward financial instruments	122,160,114.19	166,542,917.98
Transferable securities	**33,883,662,883.84**	**33,816,943,199.15**
Equities	8,280,440,959.84	7,218,607,076.96
Bonds	19,138,061,635.66	18,212,769,890.89
Transferable debt securities	471,349,290.63	1,429,081,323.46
UCITS	5,329,605,509.36	6,314,675,867.69
Private equity funds	627,221,242.93	641,809,040.15
Securitisation entities	36,984,245.42	0.00
Cash	**2,187,290,504.32**	**2,449,951,291.35**
Prepaid expenses	**206,008.00**	**175,902.61**
TOTAL	**44,345,221,874.50**	**44,852,177,336.08**

LIABILITIES – in euros	31/12/2013	31/12/2012
Equity capital	**9,070,311,279.47**	**7,494,004,608.99**
Allocations	2,870,680,121.97	2,867,263,653.36
Reserves	2,195,435,504.12	924,229,291.98
Valuation difference	2,143,157,507.77	2,431,305,451.51
Profit/(loss) for the financial year	1,861,038,145.61	1,271,206,212.14
Payables	**35,274,710,962.87**	**37,356,846,667.16**
Prepaid allocations to the FRR	-	-
Extraordinary contribution to CNIEG	4,065,294,648.08	3,866,531,817.83
CADES debt - 1 year	2,100,000,000.00	2,100,000,000.00
CADES debt + 1 year	21,000,000,000.00	23,100,000,000.00
Payables from operations	63,841,955.34	43,982,296.91
Payables on financial instruments	13,416,402.35	10,334,276.15
Payables on forex transactions	8,030,015,310.12	8,233,106,634.19
Payables on forward financial instruments	2,142,646.98	2,891,642.08
Prepaid income	**199,632.16**	**1,326,059.93**
TOTAL	**44,345,221,874.50**	**44,852,177,336.08**

INCOME STATEMENT AS OF 31 DECEMBER 2013

EXPENSES – in euros	2013	2012
Outside services	90,459,558.39	76,641,286.25
Taxes and duties	75,563.92	70,967.63
Payroll	860,292.21	855,122.18
Depreciation and amortisation	400,964.74	302,716.16
Operating expenses	**91,796,379.26**	**77,870,092.22**
Forex losses	300,710,610.54	740,057,423.66
Expenses on forward financial instruments	270,553,840.73	517,415,105.53
Expenses on sale of securities	271,719,633.83	320,753,599.82
Other financial expenses	87,034,742.63	204,975,539.68
Allocation of share of income to CNIEG	235,175,480.51	150,338,244.74
Financial expenses	**1,165,194,308.24**	**1,933,539,913.43**
Extraordinary expenses	-	-
Total expenses	**1,256,990,687.50**	**2,011,410,005.65**
Profit/(loss) for the financial year	**1,861,038,145.61**	**1,271,206,212.14**
TOTAL	**3,118,028,833.11**	**3,282,616,217.79**

INCOME – in euros	2013	2012
Income from transferable securities	894,870,626.27	878,555,934.29
Forex gains	776,420,736.08	428,957,081.60
Income from forward financial instruments	484,927,934.92	581,856,406.45
Income from sales of securities	878,503,127.98	1,242,490,332.59
Other financial income	82,845,602.54	150,756,462.86
Financial income	**3,117,568,027.79**	**3,282,616,217.79**
Extraordinary income	**460,805.32**	-
Total income	**3,118,028,833.11**	**3,282,616,217.79**
TOTAL	**3,118,028,833.11**	**3,282,616,217.79**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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 transferable 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.

UCITS are valued using the last known net asset value. Exchange Traded Funds (ETFs) are valued using the last price quoted.

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

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

Forward currency positions are valued by amortising on a straight-line basis the amount of the initial premium/discount 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. 2004803 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. Depending on the mandate, these fees are paid annually and/or 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) and swap (payable or receivable flows) transactions.

"Transferable securities" are classified in six categories: equities, bonds, transferable debt securities, UCITS, private equity 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. 2004803 of 9 August 2004, whose conditions of payment to the FRR by the CNIEG were laid down by 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 ASSETS

FIXED ASSETS

Table of fixed assets and depreciation – in euros

	Fixed assets				Depreciation and amortisation				Net book value
Headings and items	Gross book value - opening balance	Increase	Decrease	Gross book value - closing balance	Accumulated values - opening balance	Depreciation/ amortisation charges	Decrease	Accumulated values - closing balance	
Intangible assets	2,835,903.44	981,661.00	–	3,817,564.44	-1,586,932.27	-400,226.94	–	-1,987,159.21	1,830,405.23
TOTAL I	**2,835,903.44**	**981,661.00**	**–**	**3,817,564.44**	**-1,586,932.27**	**-400,226.94**	**–**	**-1,987,159.21**	**1,830,405.23**
Tangible fixed assets	12,712.31	–	–	12,712.31	-11,728.58	-737.80	–	-12,466.38	245.93
TOTAL II	**12,712.31**	**–**	**–**	**12,712.31**	**-11,728.58**	**-737.80**	**–**	**-12,466.38**	**245.93**
GRAND TOTAL	**2,848,615.75**	**981,661.00**	**–**	**3,830,276.75**	**-1,598,660.85**	**-400,964.74**	**–**	**-1,999,625.59**	**1,830,651.16**

RECEIVABLES LINKED TO FINANCIAL MANAGEMENT

Receivables – in euros	31/12/2013
related to financial instruments	
Matured coupons for payment	7,441,375.34
Sales pending settlement	10,972,138.16
Fees/rebates receivabler	999,722.11
Variable management fees overpayment	3,307,018.57
TOTAL	**22,720,254.18**
related to forex transactions	
Forward purchases	4,118,696.57
Forex forward receivables	8,100,619,070.61
Forex spot receivables	1,123,801.15
Discount	21,486,433.68
TOTAL	**8,127,348,002.01**
related to forward financial instruments	
Security deposits	120,050,860.02
Margin receivable	2,109,254.17
Valuation difference on swaps	–
TOTAL	**122,160,114.19**

TRANSFERABLE SECURITIES

CHANGES IN THE VALUE OF THE PORTFOLIO OF TRANSFERABLE SECURITIES

Portfolio as of 31 December 2012 – in euros

	Value on acquisition	Valuation differences[1]	Accrued coupons	Balance sheet value
Equities	6,577,278,557.04	641,328,519.92	–	7,218,607,076.96
Bonds	16,656,265,437.27	1,192,235,401.54	364,269,052.08	18,212,769,890.89
Transferable debt securities	1,429,422,288.10	-340,964.64	–	1,429,081,323.46
UCITS	5,856,270,519.29	458,405,348.40	–	6,314,675,867.69
Private equity funds	518,921,307.22	122,887,732.93	–	641,809,040.15
TOTAL	**31,038,158,108.92**	**2,414,516,038.15**	**364,269,052.08**	**33,816,943,199.15**

Portfolio as of 31 December 2013 – in euros

	Value on acquisition	Valuation differences[1]	Accrued coupons	Balance sheet value
Equities	6,846,223,319.50	1,434,217,640.34	–	8,280,440,959.84
Bonds	18,386,326,057.62	367,157,306.66	384,578,271.38	19,138,061,635.66
Transferable debt securities	471,399,809.80	-50,519.17	–	471,349,290.63
UCITS	5,224,645,807.40	104,959,701.96	–	5,329,605,509.36
Private equity funds	456,135,064.09	171,086,178.84	–	627,221,242.93
Securitisation entities	36,578,141.93	222,284.03	183,819.46	36 984,245.42
TOTAL	**31,421,308,200.34**	**2,077,592,592.66**	**384,762,090.84**	**33,883,662,883.84**

	31/12/2012	31/12/2013
Equities	7,218 607,076.96	8,280,440,959.84
Bonds	18,212,769,890.89	19,138,061,635.66
Transferable debt securitie	1,429,081,323.46	471,349,290.63
UCITS	6,314,675,867.69	5,329,605,509.36
Private equity funds	641,809,040.15	627,221,242.93
Securitisation entities	–	36,984,245.42
TOTAL	**33,816,943,199.15**	**33,883,662,883.84**

1. Valuation differences before allocation of the CNIEG's share.

BREAKDOWN OF PORTFOLIO BY REMAINING TERM TO MATURITY

	31/12/2012	31/12/2013
< 3 months	1.10%	1.71%
< 3 months	6.65%	3.67%
1 to 3 years	9.35%	9.51%
3 to 5 years	12.78%	15.81%
5 to 7 years	15.21%	28.97%
7 to 10 years	33.48%	33.07%
10 to 15 years	16.97%	2.05%
> 15 years	4.46%	5.21%
	100.00%	**100.00%**

BREAKDOWN OF PORTFOLIO BY COUPON TYPE

	31/12/2012	31/12/2013
Fixed rate	93.59%	97.57%
Index-linked rate	6.19%	2.04%
Variable rate	0.22%	0.39%
	100.00%	**100.00%**

BREAKDOWN OF TRANSFERABLE SECURITIES PORTFOLIO BY CURRENCY OF LISTING

in euros

Currency	Equities	Bonds	Transferable debt securities	UCITS[2]	SE[3]	Limited Partnership[4] and Private Private Equity Funds	Total
AUD	207,625,083.94	–	–	–	–	–	207,625,083.94
CAD	92,992,943.89	–	–	–	–	–	92,992,943.89
CHF	243,364,415.84	–	–	–	–	–	243,364,415.84
DKK	95,244,309.91	–	–	–	–	–	95,244,309.91
EUR	3,710,908,189.50	16,232,987,793.69	471,149,658.47	2,309,242,099.58	36,984,245.42	375,147,491.27	23,136,419,477.93
GBP	748,082,565.10	–	–	68,066,946.34	–	–	816,149,511.44
HKD	109,639,114.77	–	–	–	–	–	109,639,114.77
JPY	591,670,891.31	–	–	–	–	–	591,670,891.31
NOK	60,548,867.22	–	–	–	–	–	60,548,867.22
NZD	5,414 722.02	–	–	–	–	–	5,414,722.02
SEK	122,296,495.82	–	–	–	–	–	122,296,495.82
SGD	55,298,704.56	–	–	–	–	–	55,298,704.56
USD	2,237,354,655.96	2,905,073,841.97	–	2,952,296,463.44	–	252,073,751.66	8,346,798 713.03
NET TOTAL OF INTEREST RECEIVED IN ADVANCE[5]	**8,280 440,959.84**	**19,138,061,635.66**	**471,149,658.47**	**5,329,605,509.36**	**36,984,245.42**	**627,221,242.93**	**33,883,463,251.68**
Interest received in advance on French Treasury Bills			68,002.85				
Interest received in advance on foreign Treasury Bills			32,180.02				
Interest received in advance on certificates of deposit			95,095.55				
Interest received in advance on commercial paper			4,353.74				
Total interest received in advance			**199,632.16**				
PORTFOLIO TOTAL	**8 280,440,959.84**	**19,138,061,635.66**	**471,349,290.63**	**5,329,605,509.36**	**36,984,245.42**	**627,221,242.93**	**33,883,662,883.84**

2. Incl. Exchange Traded Funds.
3. Securitisation entities.
4. Limited Partnership: Private equity funds.
5. IRA: Interest received in advance.

DETAILED STATEMENT OF TRANSFERABLE SECURITIES AS OF 31 DECEMBER 2013
in euros

Transferable securities	Net total of interest received in advance	IRA	Portfolio total
Equities			
Eurozone European	3,705,761,761.10	–	3,705,761,761.10
Non-eurozone European	1,274,683,082.29	–	1,274,683,082.29
USA	2,330,347,599.85	–	2,330,347,599.85
Asia ex Japann	377,977,625.29	–	377,977,625.29
Japan	591,670,891.31	–	591,670,891.31
SUB-TOTAL	**8,280,440,959.84**		**8,280,440,959.84**
Bonds			
Eurozone European	16,232,987,793.69	–	16,232,987,793.69
USA	2,905,073,841.97	–	2,905,073,841.97
SUB-TOTAL	**19,138,061,635.66**		**19,138,061,635.66**
Transferable debt securities			
Eurozone European	471,149,658.47	199,632.16	471,349,290.63
SUB-TOTAL	**471,149,658.47**	**199,632.16**	**471,349,290.63**
UCITS			
Eurozone European	2,309,242,099.58	–	2,309,242,099.58
Non-eurozone European	68,066,946.34	–	68,066,946.34
USA	2,952,296,463.44	–	2,952,296,463.44
SUB-TOTAL	**5,329,605,509.36**		**5,329,605,509.36**
Private equity funds			
Europe	375,147,491.27	–	375,147,491.27
USA	252,073,751.66	–	252,073,751.66
SUB-TOTAL	**627,221,242.93**		**627,221,242.93**
Securitisation entities			
Europe	36,984,245.42	–	36,984,245.42
SUB-TOTAL	**36,984,245.42**		**36,984,245.42**
GRAND TOTAL	**33,883,463,251.68**	**199,632.16**	**33,883,662,883.84**

PRIVATE EQUITY FUNDS

		Pantheon 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	174,295,000	138,600,000	28,851,320[6]	341,746,320
Payments over the period (calls for funds)	EUR	5,200,000	2,100,000	6,562,350	13,862,350
Provisional repayment	EUR	-13,529,250	-9,450,000	-659,976[7]	-23,639,226
Balance on closing date	EUR	165 965,750	131,250,000	34,753,694	331,969,444
Valuation on closing date	EUR	190,473,902	145,124,120	39,549,469	375,147,491

		NBEL[8]	AXA IM Private Equity Europe	Total		NBEL	AXA IM Private Equity Europe	Total
Liabilities at inception	USD	679,993,200	198,000,000	877,993,200	EUR[9]	523,796,950	152,518,872	676,315,822
Liabilities on closing date	USD	280,711,144	198,000,000	478,711,144	EUR[9]	216,231,046	152,518,872	368,749,918
Balance for previous financial year	USD	134,230,089	113,857,831	248,087,920	EUR[10]	94,407,026	82,767,876	177,174,902
Payments over the period (calls for funds)	USD	–	5,682,916	5,682,916	EUR[10]	–	4,316,784	4,316,784
Distribution of assets	USD	-38,137,651	-38,093,575	-76,231,226	EUR[10]	-28,511,531	-28,814,628	-57,326,159
Balance on closing date	USD	96,092,438	81,447,172	177,539,610	EUR[10]	65,895,495	58,270,032,	124,165,527
Valuation on closing date	USD	212,880,623	134,440,480	347,321,103	EUR[9]	154,496,424	97,577,328	252,073,752

Total initial liabilities (EUR)	**1,576,315,822**
Total net payments over the period (EUR)	**-62,786,251**
TOTAL VALUED ON CLOSING DATE (EUR)	**627,221,243**

6. Including EUR 256,508 paid in connection with the fee premium and the subscription premium in accordance with the Fund's regulations.
7. Including EUR 418,383.57 of partial asset distribution.
8. Neuberger Berman Europe Limited ex Lehman Brother Int. Europe.
9. On the basis of a $/€ exchange rate of 0.7257421 on the closing date.
10. On the basis of a $/€ exchange rate on the transaction date

SECURITISATION ENTITIES

		Idinvest	Novo 1	Novo 2	Total
Liabilities at inception	EUR	60,000,000	78,000,000	42,000,000	180,000,000
Liabilities on closing date	EUR	60,000,000	78,000,000	42,000,000	180,000,000
Balance for previous financial year	EUR	–	–	–	–
Payments over the period (calls for funds)	EUR	30,520,000	3,049,028[11]	3,009,113[12]	36,578,141
Balance on closing date	EUR	29,480,000	75,000,000[13]	39,050,000[13]	143,530,000[13]
VALUATION ON CLOSING DATE	**EUR**	**30,958,936**	**3,014,544**	**3,010,765**	**36,984,245**

11. Including an issue premium of EUR 49,028.
12. Including an issue premium of EUR 59,113.
13. Balance on closing date excluding share premium.

CASH

Currencies – in euros	Total
AUD	34,197,896.66
CAD	16,946,009.04
CHF	18,757,114.98
DKK	1,161,171.95
EUR	1,270,959,598.58
GBP	117,378,277.11
HKD	37,026,676.58
JPY	80,244,351.95
NOK	2,757,757.31
NZD	12,889.21
SEK	1,346,435.64
SGD	172,818.85
USD	606,329,506.46
TOTAL	**2,187,290,504.32**

ADDITIONAL INFORMATION RELATING TO LIABILITIES

CHANGES TO PERMANENT CAPITAL – in euros

Equity capital	31/12/2012	Allocation of 2012 profit/loss	2013 profit/(loss)	Variation +	Variation -	31/12/2013
Allocations	2,867,263,653.36	–	–	–	3,416,468.61	2,870,680,121.97
Reserves	924,229,291.98	1,271,206,212.14	–	–	–	2,195,435,504.12
Valuation differences	2,431,305,451.51	–	–	–	288,147,943.74	2,143,157,507.77
Profit/(loss) for the financial year	1,271,206,212.14	-1,271,206,212.14	1,861,038,145.61	–	–	1,861,038,145.61
SUB-TOTAL	**7,494,004,608.99**	**–**	**1,861,038,145.61**	**3,416,468.61**	**288,147,943.74**	**9,070,311,279.47**
Long-term debts	**31/12/2012**					**31/12/2013**
CNIEG	3,866,531,817.83	–	–	198,762,830.25	–	4,065,294,648.08
CADES + 1 year	23,100,000,000.00	–	–	–	2,100,000,000.00	21,000,000,000.00
SUB-TOTAL	**26,966,531,817.83**	**–**	**–**	**198,762,830.25**	**2,100,000,000.00**	**25,065,294,648.08**
TOTAL PERMANENT CAPITAL	**34,460,536,426.82**	**–**	**1,861,038,145.61**	**202,179,298.86**	**2,388,147,943.74**	**34,135,605,927.55**

PROFIT/LOSS FOR RECENT FINANCIAL YEARS – in euros

	2010	2011	2012	2013
Profit/(loss) for the financial year	603,069,148.26	321,160,143.72	1,271,206,212.14	1,861,038,145.61

Profits/losses for the financial years preceding the closing date are allocated to reserves.

DEBTS – in euros

DEBT REPAYMENT SCHEDULE

Payables	Total	- 1 year	+1 year	of which 1-5 years	of which more than 5 years
Extraordinary contribution to CNIEG	4,065,294,648.08	–	4,065,294,648.08	–	4,065,294,648.08
CADES debt	23,100,000,000.00	2,100,000,000.00	21,000,000,000.00	8,400,000,000.00	12,600,000,000.00
Payables from operations	63,841,955.34	63,841,955.34	–	–	–
Payables on financial instruments	13,416,402.35	13,416,402.35	–	–	–
Payables on forex transactions	8,030,015,310.12	8,030,015,310.12	–	–	–
Payables on forward financial instruments	2,142,646.98	2,142,646.98	–	–	–
TOTAL	**35,274,710,962.87**	**10,209,416,314.79**	**25,065,294,648.08**	**8,400,000,000.00**	**16,665,294,648.08**

EXTRAORDINARY CONTRIBUTION TO CNIEG – in euros

Equity capital as of 31 December 2012	7,494,004,608.99
CNIEG balance as of 31 December 2012	3,866,531,817.83
2013 employers' contributions (adjustment of previous financial years)	3,416,468.61
CADES debt as of 31 December 2013	23,100,000,000.00
	34,463,952,895.43
CNAV SHARE AS OF 31 DECEMBER 2013	**11.22%**

Employers' contributions

Allocations as of 31 December 2012	2,867,263,653.36	**2013**
Allocations as of 31 December 2013	2,870,680,121.97	3,416,468.61

Breakdown as of 31 December 2013	**31/12/2012**	**31/12/2013**	**to be allocated**
Operating expenses	–	-91,796,379.26	-91,796,379.26
Financial Income	–	2,187,549,200.06	2,187,549,200.06
Extraordinary Income	–	460,805.32	460,805.32
TOTAL INCOME		**2,096,213,626.12**	**2,096,213,626.12**
Valuation differences - Transferable securities	2,291,628,305.22	1,906,284,129.79	-385,344,175.43
Valuation difference - Forex	-11,566,535.83	-9,612,106.52	1,954,429.31
Valuation difference - Forward exchange	173,693,663.70	117,779,659.74	-55,914,003.96
Valuation difference - Derivatives	707,600.18	69,541,135.99	68,833,535.81
Valuation difference - Private equity	122,887,732.93	171,308,462.87	48,420,729.94
Valuation difference - Swaps	2,511,109.67	–	-2,511,109.67
VALUATION DIFFERENCE - TOTAL	**2,579,861,875.87**	**2,255,301,281.87**	**-324,560,594.00**

Financial and extraordinary profit/loss less operating expenses	2,096,213,626.12
Breakdown percentage	11.22%
TO BE CREDITED TO THE CNAV	**235,175,480.51**
Valuation difference	-324,560,594.00
Breakdown percentage	11.22%
TO BE CREDITED TO THE CNAV	**-36,412,650.26**

Summary

Financial and extraordinary profit/loss less operating expenses	235,175,480.51
Valuation difference	-36,412,650.26
TOTAL	**198,762,830.24**
For the record: CNIEG contribution as of 31 December 2012	**3 866,531,817.83**
CNIEG CONTRIBUTION AS OF 31 DECEMBER 2013	**4,065,294,648.08**

PAYABLES RELATED TO FINANCIAL MANAGEMENT

Payables – in euros	**31/12/2013**
related to financial instruments	
Purchases pending settlement	13,416,402.35
TOTAL	**13,416,402.35**
related to forex transactions	
Forward sales	8,022,646,067.88
Currencies for forward delivery	4,134,321.84
Currencies for spot delivery	1,124,835.27
Premium	2,110,085.13
TOTAL	**8,030,015,310.12**
related to forward financial instruments	
Margin payable	2,142,646.98
TOTAL	**2,142,646.98**

PREPAID INCOME

Prepaid income amounted to EUR 199,632.16. It corresponds to interest prepaid on certain negotiable debt securities (BTF, CDN, foreign Treasury Bills, commercial paper).

ADDITIONAL INFORMATION RELATING TO THE PROFIT AND LOSS ACCOUNT

OPERATING EXPENSES – in euros

	Amount
Outside services	**90,459,558.39**
Administrative Management *(Caisse des dépôts et consignations)*	19,498,848.97
Investment company fees	68,152,484.91
Other outside services	2,808,224.51
including trading costs on forward financial instruments	*1,877,341.13*
Taxes and duties	**75,563.92**
Payroll	**860,292.21**
Depreciation and amortisation	**400,964.74**
TOTAL	**91,796,379.26**

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**
OTHERS[14]	–	–	–	1	–

14. Chairman of the Supervisory Board. Payment of an indemnity.

OFF-BALANCE SHEET LIABILITIES

Forward foreign exchange contracts – in euros

Currency codes	Currency receivable	%	Currency to be delivered	%
AUD	224,220,475.10	2.77	689,867.04	16.69
CAD	101,338,028.68	1.25	144,736.18	3.50
CHF	239,481,003.75	2.96	104,316.16	2.52
DKK	90,964,725.60	1.12	–	–
GBP	762,526,350.90	9.41	580,719.39	14.05
HKD	136,852,483.02	1.69	916,754.19	22.17
JPY	614,357,459.59	7.58	–	–
NOK	57,349,729.29	0.71	1,023,790.56	24.76
NZD	4,729,391.57	0.06	–	–
SEK	106,099,620.41	1.31	–	–
SGD	50,797,987.05	0.63	674,138.32	16.31
USD	5,711,901,815.65	70.51	–	–
TOTAL	**8,100,619,070.61**	**100.00 %**	**4,134,321.84**	**100.00**

Securities and cash on deposit as of 31 December 2013

Stock code	Name of stock	Quantity	Cost price	Market value
XS0997520258	CA LONDON 2.375% 11/20 EUR	11,900,000.00	11,882,507.00	11,965,363.61
SUB-TOTAL			**11,882,507.00**	**11,965,363.61**

Stock code	Name of stock	Quantity	Cost price	Market value
DG.AUD	DEPOSIT AUD	198,000.00	145,370.14	128,554.73
DG.AUD	DEPOSIT AUD	24,000.00	16,784.05	15,582.39
DG.CAD	DEPOSIT CAD	690,690.00	505,414.25	471,766.67
DG.CHF	DEPOSIT CHF	2,226,744.00	1,807,781.76	1,817,008.56
DG.EUR	DEPOSIT EUR	68,798,432.50	68,798,432.50	68,798,432.50
DG.EUR	DEPOSIT EUR	454,545.00	454,545.00	454,545.00
DG.EUR	DEPOSIT EUR	93,240.00	93,240.00	93,240.00
DG.EUR	DEPOSIT EUR	34,965.00	34,965.00	34,965.00
DG.EUR	DEPOSIT EUR	616,487.00	616,487.00	616,487.00
DG.EUR	DEPOSIT EUR	1,492,560.00	1,492,560.00	1,492,560.00
DG.EUR	DEPOSIT EUR	41,958.00	41,958.00	41,958.00
DG.EUR	DEPOSIT EUR	1,453,870.00	1,453,870.00	1,453,870.00
DG.GBP	DEPOSIT GBP	2,688,123.00	3,131,552.67	3,230,917.06
DG.HKD	DEPOSIT HKD	2,728,750.00	269,129.71	255,398.10
DG.HKD	DEPOSIT HKD	368,750.00	35,840.77	34,513.25
DG.JPY	DEPOSIT JPY	987,360,000.00	7,571,430.19	6,817,372.09
DG.JPY	DEPOSIT JPY	1,440,000.00	10,965.43	9,942.69
DG.USD	DEPOSIT USD	46,031,051.00	35,024,438.42	33,406,670.29
DG.USD	DEPOSIT USD	135,300.00	103,338.81	98,192.90
DG.USD	DEPOSIT USD	49,610.00	36,722.29	36,004.06
DG.USD	DEPOSIT USD	90,200.00	66,739.80	65,461.93
DG.USD	DEPOSIT USD	933,414.00	709,442.72	677,417.80
SUB-TOTAL			**122,421,008.51**	**120,050,860.02**
TOTAL			**134,303,515.51**	**132,016,223.63**

OTHER LIABILITIES – in euros

Valuation of off-balance sheet commitments on derivatives

CURRENCY FUTURES

Long position

Stock code	Name of stock	Currency	Quantity	Price	OBS liabilities valued
EEC0314	CHI FUTUR EUR/U 0314	USD	9,999.00	1,38	1,250,691,378.24
TOTAL					**1,250,691,378.24**

INDEX FUTURES

Long position

Stock code	Name of stock	Currency	Quantity	Price	OBS liabilities valued
AP0314	SYD FUTURE SPI2 0314	AUD	4.00	5,318.00	345,279.83
BXF0114	Mar FUTURE BEL2 0114	EUR	566.00	2,923.80	16,548,708.00
EMD0314	CHI FUTURE SPI4 0314	USD	2,207.00	1,339.40	214,533,405.92
ES0314	CHI FUTUR SPMIN 0314	USD	1.00	1,841.10	66,808.19
FCE0114	Mar CAC40 0114	EUR	3,019.00	4,298.50	129,771,715.00
FDAX0314	EUR FUTURE DAX 0314	EUR	529.00	9,605.50	127,032,737.50
FESX0314	EUR DJ EURO STO 0314	EUR	21,620.00	3,108.00	671,949,600.00
FESX0314	EUR DJ EURO STO 0314	EUR	18.00	3,108.00	559,440.00
FESX0314	EUR DJ EURO STO 0314	EUR	195.00	3,108.00	6,060,600.00
FESX0314	EUR DJ EURO STO 0314	EUR	40.00	3,108.00	1,243,200.00
FESX0314	EUR DJ EURO STO 0314	EUR	15.00	3,108.00	466,200.00
FSMI0314	EUR FUTURE SMI 0314	CHF	366.00	8,112.00	24,226,780.91
FTI0114	Mar FUTURE AEX 0114	EUR	205.00	402.35	16,496,350.00
HSI0114	HKF HANG SENG I 0114	HKD	5.00	23,333.00	545,964.64
RTA0314	NY RUSSELL 200 0314	USD	1,704.00	1,161.40	143,626,213.81
SP0314	CHI SP500 0314	USD	4.00	1,841.10	1,336,163.73
SP0314	CHI SP500 0314	USD	6.00	1,841.10	2,004,245.59
SP0314	CHI SP500 0314	USD	2.00	1,841.10	668,081.86
TP0314	TOK TOPIX 0314	JPY	2,057.00	1,302.50	184,992,231.54
TP0314	TOK TOPIX 0314	JPY	4.00	1,302.50	359,732.10
Z0314	LIF FTSE100 0314	GBP	789.00	6,697.50	63,513,551.68
TOTAL					**1,606,347,020.30**

Short position

Stock code	Name of stock	Currency	Quantity	Price	OBS liabilities valued
AP0314	SYD FUTURE SPI2 0314	AUD	33.00	-5,318.00	2,848,558.63
ES0314	CHI FUTUR SPMIN 0314	USD	3,154.00	-1,841.10	210,713,019.82
HSI0114	HKF HANG SENG I 0114	HKD	37.00	-23,333.00	4,040,138.33
NQ0314	CHI NASDAQ 100 0314	USD	65.00	-3,583.75	3,381,141.59
SXF600314	MON FUTURE TSE6 0314	CAD	126.00	-780.90	13,441,262.25
YM0314	CBO FUTURE DJ M 0314	USD	56.00	-16,494.00	3,351,709.12
TOTAL					**237,775,829.75**

INTEREST RATE FUTURES

Long position

Stock code	Name of stock	Currency	Quantity	Price	OBS liabilities valued
FGBL0314	EUR EURO BUND F 0314	EUR	135.00	139.17	18,787,950.00
FGBL0314	EUR EURO BUND F 0314	EUR	53.00	139.17	7,376,010.00
FGBM0314	EUR EURO BOBL F 0314	EUR	128.00	124.43	15,927,040.00
FGBS0314	EUR EURO SCHATZ 0314	EUR	480.00	110.30	52,944,000.00
FGBS0314	EUR EURO SCHATZ 0314	EUR	667.00	110.30	73,570,100.00
FGBS0314	EUR EURO SCHATZ 0314	EUR	1,041.00	110.30	114,822,300.00
FGBS0314	EUR EURO SCHATZ 0314	EUR	205.00	110.30	22,611,500.00
FV0314	CBO UST NOTE 5 0314	USD	244.00	119.31	21,127,984.62
I0314	LIF 3MO EURO EU 0314	EUR	91.00	99.72	22,686,300.00
I1215	LIF 3MO EURO EU 1215	EUR	44.00	99.21	10,912,550.00
TU0314	CBO 2 Y US TRES 0314	USD	322.00	109.91	51,367,751.65
TOTAL					**412,133,486.27**

Short position

Stock code	Name of stock	Currency	Quantity	Price	OBS liabilities valued
FGBL0314	EUR EURO BUND F 0314	EUR	628.00	-139.17	87,398,760.00
FGBL0314	EUR EURO BUND F 0314	EUR	436.00	-139.17	60,678,120.00
FGBM0314	EUR EURO BOBL F 0314	EUR	227.00	-124.43	28,245,610.00
FGBM0314	EUR EURO BOBL F 0314	EUR	1,066.00	-124.43	132,642,380.00
FGBM0314	EUR EURO BOBL F 0314	EUR	636.00	-124.43	79,137,480.00
I0315	LIF 3MO EURO EU 0315	EUR	216.00	-99.55	53,757,000.00
I0615	LIF 3MO EURO EU 0615	EUR	179.00	-99.45	44,503,875.00
I0914	LIF 3MO EURO EU 0914	EUR	113.00	-99.68	28,159,600.00
I0915	LIF 3MO EURO EU 0915	EUR	87.00	-99.34	21,605,362.50
I1214	LIF 3MO EURO EU 1214	EUR	188.00	-99.63	46,826,100.00
TY0314	CBO T NOTE US 1 0314	USD	660.00	-123.05	58,938,193.99
UBE0314	CBO ULTRA BOND 0314	USD	18.00	-136.25	1,779,882.43
US0314	CBO FUTURE BOND 0314	USD	40.00	-128.31	3,724,871.18
TOTAL					**647,397,235.10**

ADDITIONAL INFORMATION

PERFORMANCE FEE. VARIABLE FEES

On the closing date, the performance fees payable at the end of investment mandates amounted to EUR 6,595,310.52.

STATUTORY AUDITOR'S REPORT AS OF 31 DECEMBER 2013

Dear Sir/Madam,

Following our appointment by the Supervisory Board, we hereby present our report for the financial year ended 31 December 2013, relative to:

- the audit of the annual financial statements of the Fonds de Réserve pour les Retraites, which are attached to this report;
- the justification of our evaluations;
- the specific verifications and information required by law.

The annual financial statements were prepared by the Management Board. Our role is to express an opinion on these annual financial statements based on our audit.

I. OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We have conducted an audit in accordance with the professional standards applicable in France; these standards require that we use procedures to obtain reasonable assurance that the annual financial statements are free of material misstatement. An audit consists in examining, on a test basis or using other selection methods, the evidence supporting the amounts and disclosures contained in the annual financial statements. It also consists in assessing the accounting principles used and the significant estimates made, as well as in evaluating the overall presentation of the financial statements. We believe that the evidence gathered is pertinent and sufficient to serve as a basis for our opinion.
In our opinion, the annual financial statements, in accordance with French accounting rules and principles, give a true and fair view of the financial position and assets and liabilities of the Fund and of the results of its operations at the end of the financial year.

II. JUSTIFICATION OF EVALUATIONS

In application of the provisions of article L.823-9 of the French Commercial Code in relation to the justification of our evaluations, we wish to highlight the following points:
Our evaluations concerned, inter alia, compliance with the accounting principles and methods applicable to the Fund, as stipulated in the French National Accounting Council (CNC) notice No. 2003-07 of 24 June 2003, as amended by CNC notice No. 2008-10 of 5 June 2008.
As part of our evaluation of the accounting rules and methods used for evaluating the financial instruments in the portfolio, we have verified the appropriateness of these rules and methods and of the information provided in the notes to the financial statements. We also verified the correct application of these rules and methods.
The evaluations were made in the context of our audit of the annual financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also carried out the specific verifications required by law in accordance with the professional auditing standards applicable in France.
We have no comment as to the fair presentation and conformity with the annual financial statements of the information given in the management report with respect to the financial position and annual financial statements.

Neuilly-sur-Seine and Courbevoie, 7 May 2014

Statutory Auditors

CONSTANTIN ASSOCIÉS		MAZARS	
Stéphane Collas *Partner*	Pascal Pincemin *Partner*	Gilles Dunand-Roux *Partner*	Pierre Masiéri *Partner*

MANAGEMENT COMPANIES SELECTED BY THE FRR[1] AS OF 31 DECEMBER 2013

2005FRR05
PRIVATE EQUITY PROGRAMME

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

2008FRR03
ACTIVE MANAGEMENT MANDATES, EUROPEAN EQUITIES – EUROPEAN SMALL-CAP EQUITIES

- Allianz Global Investors (France) (RCM Europe)
- Kempen Capital Management Limited
- Montanaro Asset Management Limited
- Threadneedle Asset Management Limited

2008FRR05
INVESTMENT MANDATES – JAPANESE EQUITIES, ASIA-PACIFIC EQUITIES – JAPANESE EQUITIES

- Daiwa SB Investments (UK) Limited
- Diam International Limited
- Fidelity Gestion (France), (Fidelity Investments Japan Limited)

2008FRR06
US LARGE AND MID-CAP MANAGEMENT MANDATES – «GROWTH» INVESTMENT

- ING Investment Management (Belgium) SA, (ING Investment Management Co., US)

2008FRR06
US LARGE AND MID-CAP MANAGEMENT MANDATES – «VALUE» INVESTMENT

- Robeco Institutional Asset Management (Netherlands), (Robeco Investment Management, Inc., US)

2009FRR01
GLOBAL EXPOSURE MANDATE

- Amundi

2009FRR02
BOND MANAGEMENT MANDATES – BONDS AND OTHER INFLATION-INDEXED DEBT SECURITIES – ACTIVE LOW-RISK MANAGEMENT

- Natixis Asset Management

2009FRR02
BOND MANAGEMENT MANDATES – BONDS AND OTHER DEBT SECURITIES ISSUED IN EURO – INVESTMENT GRADE CREDIT CATEGORY – ACTIVE MANAGEMENT

- AXA Investment Managers (France)
- HSBC global Asset Management
- La Banque postale Asset Management
- Quoniam Asset Management GmbH
- Standard Life Investment

2009FRR02
BOND MANAGEMENT MANDATES – BONDS AND OTHER DEBT SECURITIES ISSUED IN US DOLLAR – INVESTMENT GRADE CREDIT CATEGORY – ACTIVE MANAGEMENT

- AXA investment managers (France), (AXA Investment Managers, Inc., US)
- Blackrock international (UK) Limited, (BlackRock Financial Management, LLC)
- Conning Asset Management Limited, (Conning & Company)
- Deutsche Asset Management International GmbH (DIMA)
- Schroders Investment Management (UK) Limited, (Schroder Investment Management North America)

2009FRR04
TRANSITION OPERATIONS MANAGEMENT MANDATE

- Goldman Sachs International
- Russell Implementation Services Limited

2010FRR04
OVERLAY MANAGER

- State Street Global Advisors (France)

2010FRR05
PASSIVE MANAGEMENT MANDATES – DEVELOPED COUNTRY BONDS – INVESTMENT CATEGORY

- Blackrock Investment Management (UK) Limited
- CCR Asset Management (UBS AG Zurich)
- State Street Global Advisors France, (State Street Global Advisors Limited, UK)

2010FRR05
PASSIVE MANAGEMENT MANDATES – MATCHED-BOOK MANAGEMENT

- Amundi
- Allianz Global Investors (France)
- AXA Investment Managers
- BNP Paribas Asset Management
- Natixis Asset Management

2010FRR01
PASSIVE MANAGEMENT MANDATES – DEVELOPED COUNTRY EQUITIES – STANDARD INDICES

- AllianceBernstein (UK) Limited, (AllianceBernstein L.P., US)
- Vanguard Asset Management (UK) Limited, (The Vanguard Group, Inc. US)

2010FRR01
PASSIVE MANAGEMENT MANDATES – DEVELOPED COUNTRY EQUITIES – OPTIMISED INDICES

- Amundi
- BNP Paribas Asset Management

2011FRR02
PASSIVE MANAGEMENT INDICES – COMMODITIES INDEX

- BNP Paribas Asset Management

2011FRR06
ACTIVE MANAGEMENT MANDATES – DEVELOPED COUNTRY EQUITIES EXPOSED TO EMERGING ECONOMY GROWTH – EUROPE

- Blackrock Investment Management Limited (UK)
- Edmond de Rothschild Asset Management
- La Française des Placements

2011FRR06
ACTIVE MANAGEMENT MANDATES – DEVELOPED COUNTRY EQUITIES EXPOSED TO EMERGING GROWTH – WORLD

- JP Morgan Asset Management UK (Ltd)
- Schroders Investment Management (UK) Limited

2011FRR07
ACTIVE MANAGEMENT MANDATES - SRI EQUITIES - EUROPEAN EQUITIES: NEW SUSTAINABLE GROWTH

- AXA Investment Managers
- Kempen Capital Management Limited
- La Financière de l'Echiquier

2011FRR07
ACTIVE MANAGEMENT MANDATES - SRI EQUITIES - THEMED COLLECTIVE FUND MANDATES

- BNP Parisbas Asset Management
- Kleinwort Benson Investors

MANAGEMENT COMPANIES SELECTED BY THE FRR[1] AS OF 30 JUNE 2014

2005FRR05
PRIVATE EQUITY PROGRAMME

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

2009FRR01
GLOBAL EXPOSURE MANDATE

- Amundi

2009FRR02
BOND MANAGEMENT MANDATES – BONDS AND OTHER DEBT SECURITIES ISSUED IN EUROS – INVESTMENT GRADE CREDIT CATEGORY – ACTIVE MANAGEMENT

- AXA Investment Managers (France)
- HSBC global Asset Management
- La Banque postale Asset Management
- Quoniam Asset Management GmbH
- Standard life investment

2009FRR02
BOND MANAGEMENT MANDATES – BONDS AND OTHER DEBT SECURITIES ISSUED IN US DOLLAR – INVESTMENT GRADE CREDIT CATEGORY – ACTIVE MANAGEMENT

- AXA investment managers (France), (AXA Investment Managers, Inc., US)
- Blackrock international (UK) Limited, (BlackRock Financial Management, LLC)
- Conning Asset Management Limited, (Conning & Company)
- Deutsche Asset Management International GmbH (DIMA)
- Schroders Investment Management (UK) Limited, (Schroder Investment Management North America)

2010FRR04
OVERLAY MANAGER

- State Street Global Advisors (France)

2010FRR05
PASSIVE MANAGEMENT MANDATES – DEVELOPED COUNTRY BONDS – INVESTMENT CATEGORY

- Blackrock Investment Management (UK) Limited
- CCR Asset Management (UBS AG Zurich)
- State Street Global Advisors France, (State Street Global Advisors Limited, UK)

2010FRR05
PASSIVE MANAGEMENT MANDATES – MATCHED-BOOK MANAGEMENT

- Amundi
- Allianz Global Investors (France)
- AXA Investment Managers
- BNP Paribas Asset Management
- Natixis Asset Management

2010FRR01
PASSIVE MANAGEMENT MANDATES – DEVELOPED COUNTRY EQUITIES – STANDARD INDICES

- AllianceBernstein (UK) Limited, (AllianceBernstein L.P., US)
- Vanguard Asset Management (UK) Limited, (The Vanguard Group, Inc. US)

2010FRR01
PASSIVE MANAGEMENT MANDATES – DEVELOPED COUNTRY EQUITIES – OPTIMISED INDICES

- Amundi
- BNP Paribas Asset Management

2011FRR02
PASSIVE MANAGEMENT INDICES – COMMODITIES INDEX

- BNP Paribas Asset Management

2011FRR06
ACTIVE MANAGEMENT MANDATES – DEVELOPED COUNTRY EQUITIES EXPOSED TO EMERGING ECONOMY GROWTH – EUROPE

- Blackrock Investment Management Limited (UK)
- Edmond de Rothschild Asset Management

2011FRR06
ACTIVE MANAGEMENT MANDATES – DEVELOPED COUNTRY EQUITIES EXPOSED TO EMERGING GROWTH – WORLD

- JP Morgan Asset Management UK (Ltd)
- Schroders Investment Management (UK) Limited

2011FRR07
ACTIVE MANAGEMENT MANDATES - SRI EQUITIES - EUROPEAN EQUITIES: NEW SUSTAINABLE GROWTH

- AXA Investment Managers
- Kempen Capital Management Limited
- La Financière de l'Echiquier

2011FRR07
ACTIVE MANAGEMENT MANDATES - SRI EQUITIES - THEMED COLLECTIVE FUND MANDATES

- BNP Parisbas Asset Management
- Kleinwort Benson Investors

2012FRR03
MANDATES FOR TRANSITION MANAGEMENT

- Blackrock Advisors Limited UK
- Goldman Sachs International
- Russell Implementation Services Limited

2013FRR01
ACTIVE MANAGEMENT MANDATES – EUROPEAN SMALL CAPITALISATIONS

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

2013FRR01
ACTIVE MANAGEMENT MANDATES – FRENCH SMALL AND MEDIUM CAPITALISATIONS

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

2013FRR02
ACTIVE MANAGEMENT MANDATES – EQUITIES – UNITED STATES LARGE AND MEDIUM CAPITALISATION EQUITIES - VALUE

- Old Mutual Asset Management
- Robeco Institutional Asset Management
- Wells Fargo Securities

2013FRR02
ACTIVE MANAGEMENT MANDATES – EQUITIES – UNITED STATES LARGE AND MEDIUM CAPITALISATION EQUITIES - GROWTH

- JPMorgan Asset Management
- T-Rowe Price International
- Wells Fargo Securities

REQUEST FOR PROPOSALS IN PROGRESS AS OF 30 JUNE 2014

2013FRR05
ACTIVE MANAGEMENT MANDATES – JAPANESE EQUITIES

2014FRR02
MANDATES OF GLOBAL EXPOSURE PASSIVE

1. In accordance with the consultation regulations, note that the awarding of the contract, which alone is binding upon the FRR, shall take place after the contract has been concluded with each management company whose proposal has been accepted. The name of the entity that will manage the mandate on behalf of the contracting entity is indicated in brackets.

responsible investment

2013 ANNUAL REPORT

strategy

Since 2003, the Supervisory Board has demanded a firm commitment from the Fonds de Réserve pour les Retraites in the area of responsible investment[1]. As a public investor, and vector for intergenerational solidarity, the FRR wishes to set an example by factoring Environmental, Social and Governance (ESG) principles into its asset management practices. The FRR will accordingly promote best practices of responsibility, both in terms of the investments it makes but also in the service providers it appoints.

The FRR has therefore gradually laid the foundations for socially responsible criteria to be integrated, across its entire portfolio, into the selection process for its asset managers and the securities in which they invest. It has also introduced a global proxy voting policy. In addition, since April 2006, the FRR is committed to applying the UN-sponsored Principles for Responsible Investment (UNPRI).

Over the last five years, the FRR has consolidated the founding principles of its identity as a responsible investor.

1. In 2003, the FRR Supervisory Board emphasised that "its investment policy should be consistent with respect for collective values that encourage balanced economic, social and environmental development and that the FRR should actively promote best practices with the aim of the management companies adopting these values in their analysis of financial assets and transparency of corporate governance".

The main reason behind the FRR becoming a responsible investor lies in its primary mission and objective: to optimise returns on the funds entrusted to it, on behalf of the community, in as secure an environment as possible. As such, ESG factors need to be integrated into the FRR's management processes for it to fully understand the risks and opportunities presented by the businesses in which the FRR invests. Indeed, the FRR is convinced that these criteria can have an impact on company valuations and therefore on the returns of the fund. Failure to integrate these factors into its decision-making process could therefore be detrimental to achieving its objective.

The second reason is economic: investment yields do not depend solely on the impact of companies' financial and extra-financial strategies, but also on the externalities they generate for their industry or the economy as a whole. It is necessary, especially for a universal public investor, active in pensions, whose role it is to protect its investments over the long term, to analyse the environmental and social externalities of corporate strategies and their effects on the community.

Despite the curtailing in 2010 of its investment horizon resulting from the pension reform of that year, the long-term protection of the value of its investments remains one of the FRR's core objectives. Indeed the FRR is, by virtue of the volume of its assets, a universal investor whose constraints in terms of diversification mean that it is present in all asset classes, sectors, geographical zones, etc. It is therefore in its interest that the entire system works well over the long-term.

Over the last five years, above and beyond deploying its main strategic principles across its entire portfolio, the first SRI (Socially Responsible Investment) mandates have allowed the FRR to gain a significant level of responsible management experience. Up till now, the FRR's efforts in terms of integrating ESG factors into management processes have followed a positive so-called "best in class" approach which promotes best practices of social and environmental responsibility and have focused on large European listed companies. Management results from these SRI mandates have underlined the benefit of an approach to financial analysis that incorporates ESG information: these mandates have generated market comparable performance whilst at the same time promoting good ESG practices. By putting its benchmark values to the test of real-life fund management, but also comparing them to those of other SRI investors, the FRR has, during this initial phase, consolidated the founding principles of its identity as a responsible investor. The FRR must continue in this direction by implementing these principles in as fully operational and integrated a manner as possible.

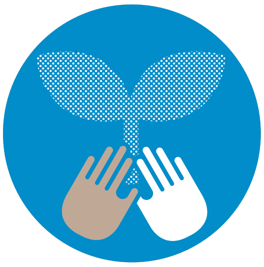
Bringing the SRI and management teams closer together within the management companies has enabled extra-financial information to be integrated into the management process across all of the FRR's asset classes, including those that are not specifically labelled SRI. The FRR shall continue to encourage all of its managers to advance further in this direction, by increased dialogue in order for the institutional investor and management company community to progress.

Having reached the end of its first responsible investment policy for 2008-2012, the FRR is to renew its strategy for 2013-2017. Having consulted the Responsible Investment Committee and also taking into account changes in practices developed by other institutional investors, the Supervisory Board has outlined the FRR's identity as a responsible investor for the next four years (2013-2017).

For 2013-2017, the responsible Investment strategy will extend the FRR's base to emerging markets and small and medium capitalisation equities.

While this new strategy extends the FRR's base for action beyond the traditional scope of SRI, in particular to emerging markets and provides new opportunities to exploit asset classes as yet little explored in the sphere of responsible management, such as small and medium-capitalisation companies, it remains nevertheless founded on the same principles. These will be deployed differently depending on the specific nature of each investment platform underpinned by four strategic priorities.

OVERVIEW OF THE FOUR STRATEGIC PRIORITIES AND HOW THE FRR INTENDS TO IMPLEMENT THEM OVER TIME



PRIORITY 1
INTEGRATING ESG FACTORS INTO ASSET MANAGEMENT

The purpose is to define these factors more clearly by setting an initially limited number of objective and measurable criteria for ESG aspects. These criteria shall then be measured and their progress monitored over time. The aim is therefore to broadcast the values held by the FRR with the utmost clarity and to support companies in achieving progress via constructive dialogue.

The FRR shall therefore expand its efforts towards integrating extra-financial data into its management processes by further engaging with its managers through regular exchanges on ESG issues.

The FRR shall continue to promote good ESG practices whilst at the same time seeking to reap the financial rewards from the materiality of certain SRI criteria, in other words the proven impact of social responsibility criteria on a company's performance. Concerning this point, the FRR shall focus in particular on its small and medium-capitalisation equities SRI actively managed mandates to learn any lessons that may subsequently be deployed in managing its other actively managed mandates. It shall in particular help support the economic development of these companies in pursuit of shared ESG values.

The FRR shall also help to finance companies the corporate mission of which is to preserve the environment or are beneficial to society. This is a new approach for the FRR. Indeed, it enables it to be exposed to themes such as water, eco-technology, waste treatment and management, renewable energy via a selection of investment funds run by dedicated managers. The FRR hopes that these new SRI thematic fund mandates will provide scope for the FRR to experiment on these themes enabling it to better identify, understand and follow sectors the contributions of which will be crucial for sustainable development.

The FRR will help to finance companies the corporate mission of which is to preserve the environment or are beneficial to society.

PRIORITY 2
CONDUCTING SOCIAL RESPONSIBILITY

This priority focuses on two areas of action: the first concerns the activities of the companies in which the FRR invests and the manner in which such companies conduct their activities; the second concerns the inevitable impact of State taxation practices.

Since 2008, the FRR has had in place a system enabling it to monitor and prevent extra-financial risks that may have an impact not only on its investments but also its reputation. Indeed, risks for the FRR may arise from failure by a company in which it invests to observe universally recognised principles, such as those of the United Nations Global Compact and good governance, but also the international treaties ratified by France, in particular the Ottawa[2] and the Oslo[3] Treaties. The FRR will pursue this approach by extending it to new asset classes, geographical areas and sizes of market capitalisation. This system will continue to operate transversally across the FRR's entire portfolio alongside the vigilance the managers should already be exercising in these areas.

Such monitoring falls, in particular, within the remit of the Responsible Investment Committee established in 2008, on which sit the Chairman of the Supervisory Board, a member of the college representing employee trade unions, a member of the college representing employer trade unions and two external qualified individuals. The Responsible Investment Committee relies on regular analysis provided by specialist agencies and on proposals of the Executive Board to assess cases of failure to observe the FRR's principles and decides what action to take. If an allegation is proven, the Responsible Investment Committee may take a number of possible measures ranging from dialogue with the company in question to, as a last resort, in the case of repeated breaches to which the company has refused to put an end, a decision to register it on the list of companies banned from investment by the FRR.

Also, to avoid legal and regulatory risks, money-laundering risks and reputational risks arising from the FRR's exposure to various financial centres classified in some cases as "tax havens", the FRR has decided that it should not invest in any sovereign bond or company in a State where such risks exist, or contract with any third party whose registered office is located in such a place. The FRR shall pursue the process that it has begun on defining the scope of these restrictions in association with the work being conducted by the public authorities (French Government and Parliament) and international organisations.

For this new period and in order to prepare itself for widening the range of its asset classes, the FRR shall select SRI research providers with wide coverage of its investment zones (emerging countries, small capitalisations, in particular). It shall consult these managers regularly on these matters. Indeed, ESG issues should, in its opinion, be integrated with care and prudence into the heart of its day-to-day management.

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

3. Convention on the prohibition of the use, stockpiling, production and transfer of cluster munitions and on their destruction.

PRIORITY 3
EXERCISE OF THE FRR'S VOTING RIGHTS

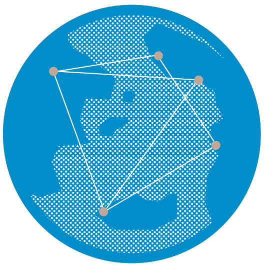
In 2005, the Supervisory Board stated that "it is in the interests of the FRR to actively participate in improving the governance of the companies in which it invests. The aim is to promote clarity and balance in the powers exercised by the management bodies of such companies and also the quality of the information provided to shareholders, respect for their rights and integrity of the voting process. It is therefore one of the factors that contributes significantly to the longevity of the corporate community, the continuity of the strategy they pursue and the manner in which they fulfil their responsibilities towards all of their partners. All of these factors contribute directly to their healthy future valuation".
The Supervisory Board established a number of principles in relation to exercise of the FRR's voting rights, pursuant to which the FRR's rights as a shareholder at general meetings must be exercised without fail, by each of the managers, in line with the guiding principles set by the FRR. All positions in the name of the Fund are taken in its sole interests and with complete independence.

These guiding principles, established by the Executive Board, were made public after their adoption by the Supervisory Board on 26 January 2005. They are updated each year and are available on the FRR's website: www.fondsdereserve.fr.

Following the 2005 campaign, during which a system was implemented giving very wide discretion to the companies responsible for managing the FRR's portfolios, the FRR planned as from 2006 to gradually introduce greater coordination between itself and its managers in the exercise of voting rights where the managers' voting intentions in respect of one same resolution in one same company differed. The FRR established an internal proxy voting monitoring committee to supervise this coordination process.

The FRR's guidelines for the exercise of voting rights are re-examined each year and adjusted in line with regulatory changes and the FRR's concerns.
The FRR votes at general meetings of companies in all countries where it invests whatever its percentage shareholding in the capital of such companies.

The FRR will continue to vote at general meetings of all companies which it invests, whatever the size of its shareholding in the capital.



PRIORITY 4
CONTRIBUTION TO RESEARCH ON RESPONSIBLE INVESTMENT AND SUPPORT FOR INTERNATIONAL INITIATIVES

The FRR's objective here is to increase awareness on responsible investment, share its work as widely as possible and spread good practices amongst the companies the most in need.

Research plays a decisive role for investors in terms of the benefit of incorporating extra-financial factors into finance in general and asset management in particular. With this in mind, the FRR actively supports the "sustainable finance and responsible investment" chair established by the Paris Market and will continue supporting academic research throughout the period 2013-2017.

Due to the sizeable percentage that bonds represent in its asset allocation, the FRR is naturally promoting SRI research on bond assets during this next period. It shall in parallel focus specifically on analysing small and medium-sized companies.

Furthermore, the FRR shall actively continue to participate in the following initiatives with the aim of promoting good practices as widely as possible amongst investors and issuers: Principles for Responsible Investment (PRI), Carbon Disclosure Project (CDP), CDP Water, Extractive Industries Transparency Initiative (EITI), and International Corporate Governance Network (ICGN). (ICGN).

The FRR will continue to support the research on Responsible Investment, in particular on bond assets.

PRINCIPLES FOR IMPLEMENTATION OF STRATEGIC PRIORITIES

CONTINUE EXPLORING ESG ISSUES WITHIN THE SRI LABORATORY

Two environment-themed management mandates investing in a selection of funds managed by dedicated fund managers will be launched in the first half of 2013. These mandates will require specific SRI reporting to enable the impact of the FRR's investments to be quantified.

Concerning the "SRI European small and medium capitalisation equities" actively managed mandates, the main objective assigned to the managers appointed at the end of 2012 shall be to bring the materiality principle to the fore by generating performance in line with or above that of the European equities markets by selecting companies that have introduced, or are planning to introduce an ESG approach. With this mandate, the FRR wishes to explore the social responsibility challenges facing small and medium sized companies.

The FRR has, in this regard, given guidance to its managers by defining precise criteria to be taken into account and monitored over time[4]. The simplicity of these indicators should enable some of them to properly assess the link between economic performance and corporate social responsibility, but also to measure how well this market segment integrates good ESG practices over time. The FRR also wishes to allow its managers a degree of flexibility in how they interpret these criteria and enable them to put forward others.

4. In particular, consumption and management of energy, employee turnover rate, absenteeism rate, employee percentage profit-sharing rate, composition of the board (male/female parity, number of independent directors), multiplicity of corporate functions (chairman/chief executive).

When it has gained the necessary perspective, the FRR shall consider whether it is appropriate to merge the applied criteria to form a common standard or conversely allow them to diverge, if it believes that the process of assessing the social responsibility of small and medium sized companies has not fully matured. It shall also be considered whether to extend this detailed approach to monitoring the FRR's assets as a whole.

REGULARLY EVALUATING ITS PORTFOLIO

The FRR has to outsource its asset management. This is why, since 2005, it has hoped to be in a position to assess its exposure to extra-financial risks by appointing SRI research providers to analyse its portfolio.

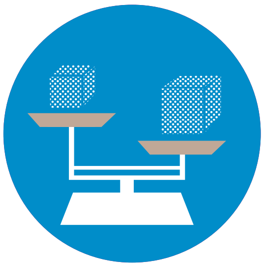
To maintain its ability to analyse its investments, the FRR in June 2013 launched a new ESG research provider selection process. It shall continue to evaluate its investments by reference to the principles of the Global Compact and good governance and in light of the Ottawa and Oslo Treaties.

DIALOGUE WITH ASSET MANAGERS AND COMPANIES

The process of adoption within traditional management of the ESG approach is by nature a gradual one.

This is why the FRR wishes to continue its efforts to ensure that its managers develop even further their analysis of extra-financial data. Also, within its responsible investment laboratory, the FRR shall strive to deepen its exchanges with SRI managers especially those managing European small and medium capitalisation equities mandates.

The FRR shall promote dialogue with companies via its managers to take advantage of the intrinsic leverage gained from its managers' globally managed assets and also their research capabilities.



ACTING WITH DISCERNMENT

The integration into its portfolio management of extra-financial aspects shall be adapted to the characteristics of each asset class, geographical zone and size of capitalisation. For example, the FRR has decided, on the recommendation of the Responsible Investment Committee and as a precaution in the area of commodities investment, not to invest in agricultural commodities.

WORKING IN TRANSPARENCY

The FRR shall report publicly on a regular basis on its progress and the conclusions that it has drawn in implementing this strategy.

Conclusion

Following on from the strategic directions taken in 2003, re-affirmed in 2008, the 2013-2017 responsible investment strategy is both ambitious, as its various priorities demonstrate, but also realistic, given the discernment with which it shall be implemented. It reflects its primary mission as a universal investor managing the assets entrusted to it by the community as effectively as possible, without compromising the future value of its investments whose horizon extends beyond that of its liabilities.

Design and production: **avant**garde

Document printed in compliance with the environmental standards
Novatech satin paper

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