



CARNEGIE FUND III
Société d'Investissement à Capital Variable

AUDITED ANNUAL REPORT

31 DECEMBER 2016

R.C.S. Luxembourg B 92 747

Subscriptions are only valid if made on the basis of the current prospectus accompanied by the latest annual report and the latest semi-annual report if published after the annual report

CARNEGIE FUND III

TABLE OF CONTENTS

GENERAL INFORMATION

Management and Administration	3
Board of Directors	3

INVESTMENT MANAGER'S REPORT	4 - 7
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ADDITIONAL AIFM DISCLOSURES (UNAUDITED)	8 - 9
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AUDIT REPORT	10 - 11
--------------	---------

FINANCIAL STATEMENTS

Statement of Net Assets	12
Net Asset Value per share	12
Statement of Operations and Changes in Net Assets	13
Statement of Changes in Number of Shares Outstanding	14
Financial Details Relating to the Last 3 Years	14

SECURITIES PORTFOLIO

Carnegie Fund III - Carnegie WorldWide Long/Short Fund	15 - 19
Carnegie Fund III - Carnegie European Equities Long/Short Fund	20 - 22

NOTES TO THE FINANCIAL STATEMENTS	23 - 28
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MANAGEMENT AND ADMINISTRATION

REGISTERED OFFICE

Le Dôme (A)*
15, rue Bender
L-1229 Luxembourg

INVESTMENT MANAGER

Carnegie Asset Management
Fondsmaeglerselskab A/S
Dampfaergevej 26
DK-2100 Copenhagen, Denmark

CUSTODIAN

J.P. Morgan Bank Luxembourg S.A.
6, route de Trèves
L-2633 Senningerberg

LEGAL COUNSEL

Arendt & Medernach
14, rue Erasme
L-2082 Luxembourg

PRIME BROKER

UBS AG
1 Finsbury Avenue
London, EC2M 2PP

AUDITOR

PricewaterhouseCoopers, Société coopérative
2, rue Gerhard Mercator
L-2182 Luxembourg

AIFM AND MANAGEMENT COMPANY

Carnegie Fund Management Company S.A.
Le Dôme (A)*
15, rue Bender
L-1229 Luxembourg
R.C.S. Luxembourg B 158 409

FUND ADMINISTRATOR,
REGISTRAR AND TRANSFER AGENT

Carnegie Fund Services S.A.
Le Dôme (A)*
15, rue Bender
L-1229 Luxembourg

DISTRIBUTION AND PAYING AGENT

Carnegie Asset Management Fondsmaeglerselskab A/S
Dampfaergevej 26
P.O. Box 1940
DK-2100 Copenhagen
Denmark

BOARD OF DIRECTORS

CHAIRMAN

Mattias KOLM
Director
Carnegie Fund Management Company S.A.
Luxembourg

DIRECTORS

Bruno VANDERSCHULDEN
Director
Carnegie Fund Management Company S.A.
Luxembourg

Henrik BRANDT
Conducting Officer
Carnegie Fund Management Company S.A.
Luxembourg

Rolf DOLANG

Director
Carnegie Fund Management Company S.A.
Luxembourg

* until 16 August 2016: Centre Europe, 5 Place de la Gare, L-1616 Luxembourg

INVESTMENT MANAGER'S REPORT

CARNEGIE WORLDWIDE LONG/SHORT FUND

PERFORMANCE

In 2016, the Carnegie Worldwide Long/Short fund declined 7.42% while the global equity markets, as measured by the MSCI AC World index, was up by 11.09%, and the benchmark (3M Euribor) declined by 0.27%.

After two years with strong performance for the fund, 2016 was a year with disappointing performance. Much like last year, the investment year of 2016 was a year where the first and second half of the year presented very different investment climates. The start of the year was characterized by fears of a hard landing in China and the first two weeks saw its worst start in history for the U.S. markets. The United Kingdom's decision to leave the EU and Donald Trump's surprising win in the U.S. election fueled hopes of fiscal stimulus and led to cyclical- and value stocks rising sharply. As we had kept the fund defensively positioned and approximately market neutral, primarily due to high valuations, the fund suffered from this rotation away from defensive stocks. At the end of the year performance improved somewhat, as the fund was more aligned with a rising market and with more exposure to the cyclical upswing.

Our strongest contributors to performance were First Republic Bank, Reynolds American and TSMC. Our main detractors from performance could be found among our large-cap U.S. financial and consumer names suffering at the start of the year. Despite our average equity short position being up for the year, they still rose about 5% less than the general market.

During the year, the net asset value per share decreased from EUR 314.13 to EUR 290.83, representing an decrease of 7.42%. Total net assets decreased during the year from EUR 77.26 million to EUR 56.71 million. Net redemptions of shares were EUR 14,88 million.

INVESTMENT STRATEGY

The Sub-Fund's investment objective is to generate high absolute returns from long and short investment positions in global equities and related financial instruments such as financial futures and related options and swaps, and, over time, exhibit low correlation to the global equity markets.

Returns are sought using Carnegie Asset Management's stock picking methodology, consisting of a top-down trend based view, coupled with a bottom-up methodology. The portfolio will consist of positions taken in pairs of stocks as well as individual stock positions. Market exposure will vary, spanning from negative, to neutral, to positive, and will largely depend on investment opportunities and the volatility of the global equity markets. The investment universe is based on equity, derivative and fixed income products globally. The Sub-Fund may retain cash or cash equivalents as and when considered appropriate.

CARNEGIE FUND III

INVESTMENT MANAGER'S REPORT

In order to enable the Sub-Fund to obtain the desired market exposure and to construct the investment portfolio in an efficient manner, the Sub-Fund may borrow up to 150% of its net assets from highly rated professionals specialized in these types of transactions.

Short sales will usually be carried out by selling borrowed securities in the market place. Alternatively, short sale exposure can be obtained using swap agreements should that be more cost efficient.

Unwanted risk is hedged, using individual stocks long/short or by using written or bought derivatives on markets, sectors or individual stocks. Bought or written derivative instruments can furthermore be used to enhance returns.

Luxembourg, 14 February 2017

INVESTMENT MANAGER'S REPORT

CARNEGIE EUROPEAN EQUITIES LONG/SHORT FUND

PERFORMANCE

The Carnegie European Equities Long/Short fund returned -1,48 % in 2016 while the European Equity market, as measured by MSCI AC Europe returned 0.36 % and the 3m Euribor returned -0.27 %.

2016 proved a difficult year for global stock pickers. The reversion in interest rates had a massive impact on factor and sector performance globally. Value equities outperformed growth equities as benign deflation - if not outright inflationary - environment was priced in.

The main positive contributor to performance was the investments in the Swiss technology company VAT and the Norwegian life-insurance company Storebrand. The Danish biotech Company Genmab also contributed positively to performance after the company's new cancer product had a better than expected uptick in the American market. The biggest negative contributor to performance was the lost premium on the index-put over the Brexit-vote late June.

The Fund's long book remain focused on a long-term strategy with emphasis on structural growth companies, while the short-book remains focused on different futures/options on index-level.

During the year, the net asset value per share decreased from EUR 103.44 to EUR 101.91, representing a decrease of 1.48%. Total net assets decreased during the year from EUR 55.36 million to EUR 54.44 million. Net redemptions of shares were EUR 96,459.94.

INVESTMENT STRATEGY

The Sub-Fund's investment objective is to generate high absolute returns from long and short investment positions in European equities and related financial instruments such as financial futures and related options and swaps, and, over time, exhibit low correlation to the European equity markets.

We use Carnegie Asset Management's stock picking methodology to seek returns. The methodology consists of a top-down trend based view, coupled with a bottom-up methodology. The portfolio will consist of positions taken in pairs of stocks as well as individual stock positions. Market exposure will vary, spanning from negative, to neutral, to positive, and will largely depend on investment opportunities and the volatility of the European equity markets. We base the investment universe on European equities, derivatives and fixed income products. The Sub-Fund may retain cash or cash equivalents as and when considered appropriate.

INVESTMENT MANAGER'S REPORT

In order to enable the Sub-Fund to obtain the desired market exposure and to construct the investment portfolio in an efficient manner, the Sub-Fund may borrow up to 150% of its net assets from highly rated professionals specialized in these types of transactions.

Short sales will usually be carried out by selling borrowed securities in the market place. Alternatively, short sale exposure can be obtained using swap agreements should that be more cost efficient.

Unwanted risk is hedged, using individual stocks long/short or by using written or bought derivatives on markets, sectors or individual stocks. Bought or written derivative instruments can furthermore be used to enhance returns.

Luxembourg, 14 February 2017

ADDITIONAL AIFM DISCLOSURES (UNAUDITED)

Material Changes

During the financial year, the Carnegie Fund III-Worldwide Long/Short sub-fund has not been subject to any material changes affecting its investors.

Remuneration Disclosure

The AIFM has adopted a remuneration policy in accordance with the applicable laws and regulations related to AIFM.

The board of directors is not receiving any remuneration for exercising their mandates.

Liquidity

The sub-funds of the AIF are investing in highly liquid assets and listed derivative financial instruments so that the AIF is, under normal market circumstances, in a position to fulfill its obligations arising from redemptions. The liquidity of the AIF is monitored on a daily basis.

As a consequence, no special arrangements are made for illiquid assets nor for managing the liquidity of the AIF.

Leverage

For the full year 2016, the leverage of Carnegie Fund III - Worldwide Long/Short, calculated on the basis of the AIFMD gross leverage, was between 102% and 158% and on average 135% of the total net assets in line with the targeted leverage set for the AIF.

For the full year 2016, the leverage of Carnegie Fund III - European Long/Short, calculated on the basis of the AIFMD gross leverage, was between 101% and 214% and on average 138% of the total net assets, in line with the targeted leverage set for the AIF.

ADDITIONAL AIFM DISCLOSURES (UNAUDITED)

Risk Management

The AIFM has implemented a Risk Management Policy (the “Policy”) in accordance with the applicable Laws and Regulations.

The Policy covers the following risks:

- Market
- Liquidity
- Counterparty
- Credit
- Operational Risk
- Investment Compliance

The market risk of the AIF is captured by using the Value at Risk approach with 99% confidence level and 20 days time horizon until March 18 2015 and 1 Day time horizon from March 19 2015. The model is back tested on a daily basis.

As the AIF is investing in liquid listed equities and financial derivative instruments, the AIF is deemed liquid under normal market circumstances. The liquidity of the equities is based on the monthly daily average traded volume of respective security compared with the holding of the AIF. The ratio calculated gives the number of days necessary for liquidating the position of the AIF. The listed financial derivative instruments are deemed to be closeable within one day. The ratio obtained is compared with the historical pattern of redemption which the fund has faced including extreme redemption patterns.

As the AIF is investing in listed derivative instruments and that the equities are settled on delivery versus payment basis, the AIF is deemed not to face counterparty risk.

The credit risk of the AIF is limited to the cash held at banks as the AIF is not investing in bonds and equivalent securities. The level of cash is limited hence the credit risk of the AIF is considered to be limited.

The AIF is confronted with various operational risks which are linked to the instruments in which the AIF is investing such as but not limited to valuation risk, corporate action errors, wrong performance fee calculation, unreconciled cash and securities positions. The AIFM and the accounting agent have implemented a series controls in order to mitigate the operational risks.

The investment guidelines are controlled ex-ante by the investment manager and daily on an ex-post basis by the accounting agent. The results of the ex-post controls are notified to the AIFM in order to take appropriate measures if and when necessary.



Audit report

To the Shareholders of
Carnegie Fund III

We have audited the accompanying financial statements of Carnegie Fund III and of each of its sub-funds, which comprise the statement of net assets and the securities portfolio as at 31 December 2016 and the statement of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Board of Directors of the SICAV for the financial statements

The Board of Directors of the SICAV is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements and for such internal control as the Board of Directors of the SICAV determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the “Réviseur d’entreprises agréé”

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier”. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the “Réviseur d’entreprises agréé”, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the “Réviseur d’entreprises agréé” considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the , as well as evaluating the overall presentation of the financial statements.



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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Carnegie Fund III and of each of its sub-funds as of 31 December 2016, and of the results of their operations and changes in their net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

Other information

The Board of Directors of the SICAV is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 9 March 2017

Nathalie Dogniez

STATEMENT OF NET ASSETS AS AT 31 DECEMBER 2016

	COMBINED (EUR)	CARNEGIE WORLDWIDE LONG/SHORT FUND (EUR)	CARNEGIE EUROPEAN EQUITIES LONG/SHORT FUND (EUR)
ASSETS			
Investments at market value (Note 2.1)	99,987,726.83	48,924,265.74	51,063,461.09
Cash at banks	42,271,123.92	39,578,862.01	2,692,261.91
Interest receivable on bonds	41,780.82	0.00	41,780.82
Brokers receivable	1,698,855.90	1,698,855.90	0.00
Receivable on subscriptions	1,430,000.00	1,430,000.00	0.00
Dividends receivable (Note 2.5)	17,193.16	17,193.16	0.00
Market value of options (Note 5)	1,198,850.00	378,975.00	819,875.00
Unrealised appreciation on futures contracts (Note 5)	36,385.17	36,385.17	0.00
Total Assets	146,681,915.80	92,064,536.98	54,617,378.82
LIABILITIES			
Bank overdrafts	(19,275,220.94)	(19,275,220.94)	0.00
Short sales of securities (Note 2.2)	(7,324,644.49)	(7,324,644.49)	0.00
Unrealised depreciation on futures contracts (Note 5)	(107,100.00)	(21,600.00)	(85,500.00)
Payable on redemptions	(8,602,986.24)	(8,602,986.24)	0.00
Brokers payable	(153.88)	(153.88)	0.00
Dividends payable on short sales	(3,051.84)	(3,051.84)	0.00
Management fee payable (Note 7)	(122,328.48)	(66,057.06)	(56,271.42)
Subscription tax payable ("Taxe d'abonnement") (Note 4)	(14,878.66)	(8,034.44)	(6,844.22)
Custodian and administration fee payable (Note 9)	(15,260.61)	(7,673.94)	(7,586.67)
Other payables	(63,495.49)	(44,978.59)	(18,516.90)
Total Liabilities	(35,529,120.63)	(35,354,401.42)	(174,719.21)
NET ASSETS AT THE END OF THE YEAR	111,152,795.17	56,710,135.56	54,442,659.61

NET ASSET VALUE PER SHARE AS AT 31 DECEMBER 2016

	CARNEGIE WORLDWIDE LONG/SHORT FUND (EUR)	CARNEGIE EUROPEAN LONG/SHORT FUND (EUR)
Net asset value per share	290.83	101.91

**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	COMBINED (EUR)	CARNEGIE WORLDWIDE LONG/SHORT FUND (EUR)	CARNEGIE EUROPEAN EQUITIES LONG/SHORT FUND (EUR)
INCOME			
Dividends, net (Note 2.5)	1,265,269.65	692,307.96	572,961.69
Interest on bonds (Note 2.5)	626,755.67	0.00	626,755.67
Redemption fees	376.70	376.70	0.00
Other income	52,939.32	0.00	52,939.32
Total Income	1,945,341.34	692,684.66	1,252,656.68
EXPENSES			
Management fee (Note 7)	(1,529,073.82)	(873,714.51)	(655,359.31)
Custodian and administration fee (Note 9)	(42,906.79)	(24,492.64)	(18,414.15)
Dividends paid on short sales (Note 2.5)	(264,818.45)	(264,818.45)	0.00
Bank and interest expenses	(560,809.55)	(543,341.13)	(17,468.42)
Bank charges	(73,629.72)	(71,048.75)	(2,580.97)
Taxe d'abonnement (Note 4)	(62,245.16)	(35,252.01)	(26,993.15)
Audit fees	(20,150.00)	(11,216.86)	(8,933.14)
Professional expenses	(87,548.27)	(58,684.29)	(28,863.98)
Other expenses	(11,833.83)	(8,376.84)	(3,456.99)
Total Expenses	(2,653,015.59)	(1,890,945.48)	(762,070.11)
Net investments loss	(707,674.25)	(1,198,260.82)	490,586.57
Net realised gains/(losses) on investments (Note 2.3)	8,477,472.78	5,730,201.91	2,747,270.87
Net realised gains/(losses) on futures contracts (Note 2.3)	(1,881,555.13)	(1,399,305.13)	(482,250.00)
Net realised gains/(losses) on options (Note 2.3)	(5,405,892.25)	(149,014.00)	(5,256,878.25)
Net realised gains/(losses) on foreign currency translations (Note 2.3)	(744,160.53)	(117,732.65)	(626,427.88)
Net realised gains/(losses) for the year	(261,809.38)	2,865,889.31	(3,127,698.69)
Change in net unrealised appreciation/ (depreciation) on investments (Note 6)	(7,743,391.09)	(8,930,832.63)	1,187,441.54
Change in net unrealised appreciation/(depreciation) on futures contracts (Note 6)	89,706.06	175,206.06	(85,500.00)
Change in net unrealised appreciation/(depreciation) on options (Note 6)	1,437,505.50	236,172.50	1,201,333.00
Result of operations for the year	(6,477,988.91)	(5,653,564.76)	(824,424.15)
Subscriptions	2,841,094.76	2,817,093.56	24,001.20
Redemptions	(17,822,093.78)	(17,701,632.64)	(120,461.14)
Equalisation attributable to subscriptions	(15,822.48)	(15,822.48)	0.00
Decrease in net assets	(21,474,810.41)	(20,553,926.32)	(920,884.09)
Net assets at the beginning of the year	132,627,605.58	77,264,061.88	55,363,543.70
NET ASSETS AT THE END OF THE YEAR	111,152,795.17	56,710,135.56	54,442,659.61

CARNEGIE FUND III

**STATEMENT OF CHANGES IN NUMBER OF SHARES OUTSTANDING
FOR THE YEAR ENDED 31 DECEMBER 2016**

	CARNEGIE WORLDWIDE LONG/SHORT FUND
Shares outstanding at 1 January 2016	245,964.2109
Shares issued	10,018.6186
Shares redeemed	(60,990.4412)
Shares outstanding at 31 December 2016	194,992.3883

	CARNEGIE EUROPEAN EQUITIES LONG/SHORT FUND
Shares outstanding at 1 January 2016	535,214.0630
Shares issued	236.0000
Shares redeemed	(1,233.2175)
Shares outstanding at 31 December 2016	534,216.8455

**FINANCIAL DETAILS RELATING TO THE LAST 3 YEARS
(EUR)**

	CARNEGIE WORLDWIDE LONG/SHORT FUND
<u>31 December 2016</u>	
Total net assets	56,710,135.56
Net asset value per share	290.83
<u>31 December 2015</u>	
Total net assets	77,264,061.88
Net asset value per share	314.13
<u>31 December 2014</u>	
Total net assets	67,740,213.99
Net asset value per share	286.50

	CARNEGIE EUROPEAN EQUITIES LONG/SHORT FUND
<u>31 December 2016</u>	
Total net assets	54,442,659.61
Net asset value per share	101.91
<u>31 December 2015</u>	
Total net assets	55,363,543.70
Net asset value per share	103.44

The accompanying notes form an integral part of these financial statements

CARNEGIE FUND III - CARNEGIE WORLDWIDE LONG/SHORT FUND

SECURITIES PORTFOLIO AS AT 31 DECEMBER 2016

NOMINAL	SECURITY DESCRIPTION		MARKET VALUE (EUR)	% OF NET ASSETS
Transferable Securities and money market instruments admitted to an official stock exchange listing/dealt in on another regulated market				
Discounted Papers				
	<u>Germany</u>			
5,000,000	German Treasury Bill	11/01/2017	5,001,750.00	8.82
5,000,000	German Treasury Bill	15/02/2017	5,005,650.00	8.83
5,000,000	German Treasury Bill	22/02/2017	5,006,800.00	8.83
			<u>15,014,200.00</u>	<u>26.48</u>
	<u>Netherlands</u>			
4,000,000	Dutch Treasury Bill	28/04/2017	4,012,640.00	7.08
			<u>4,012,640.00</u>	<u>7.08</u>
	TOTAL DISCOUNTED PAPERS		<u>19,026,840.00</u>	<u>33.56</u>
Shares				
	<u>France</u>			
24,500	Legrand		1,321,775.00	2.33
			<u>1,321,775.00</u>	<u>2.33</u>
	<u>Germany</u>			
45,500	Jungheinrich Preferred		1,240,330.00	2.19
			<u>1,240,330.00</u>	<u>2.19</u>
	<u>India</u>			
125,000	Housing Development Finance Corporation		2,201,891.82	3.88
			<u>2,201,891.82</u>	<u>3.88</u>
	<u>Japan</u>			
2,000	KEYENCE Corporation		1,302,053.75	2.30
			<u>1,302,053.75</u>	<u>2.30</u>
	<u>Netherlands</u>			
18,000	Unilever		704,070.00	1.24
			<u>704,070.00</u>	<u>1.24</u>
	<u>Sweden</u>			
18,500	Autoliv SDB		1,990,684.04	3.51
			<u>1,990,684.04</u>	<u>3.51</u>
	<u>Switzerland</u>			
21,000	Nestlé Registered		1,429,869.69	2.52
			<u>1,429,869.69</u>	<u>2.52</u>
	<u>United Kingdom</u>			
36,000	British American Tobacco		1,952,608.97	3.44
			<u>1,952,608.97</u>	<u>3.44</u>

The accompanying notes form an integral part of these financial statements

CARNEGIE FUND III - CARNEGIE WORLDWIDE LONG/SHORT FUND

SECURITIES PORTFOLIO AS AT 31 DECEMBER 2016

NOMINAL	SECURITY DESCRIPTION	MARKET VALUE (EUR)	% OF NET ASSETS
Transferable Securities and money market instruments admitted to an official stock exchange listing/dealt in on another regulated market			
Shares (continued)			
	<u>United States of America</u>		
3,896	Alphabet C	2,849,976.99	5.03
11,500	Facebook A	1,253,980.67	2.21
9,000	Gilead Sciences	610,833.10	1.08
8,500	Dollar General Corp	596,715.95	1.05
33,000	First Republic Bank	2,881,831.11	5.08
11,500	Home Depot	1,461,397.02	2.58
17,500	Mastercard	1,712,515.40	3.02
44,000	Reynolds American	2,336,991.75	4.12
74,000	Taiwan Semiconductor ADR	2,016,396.55	3.56
27,500	Visa	2,033,503.93	3.59
		<u>17,754,142.47</u>	<u>31.32</u>
	TOTAL SHARES	<u>29,897,425.74</u>	<u>52.73</u>
	TOTAL TRANSFERABLE SECURITIES AND MONEY MARKET INSTRUMENTS ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING/DEALT IN ON ANOTHER REGULATED MARKET.	<u>48,924,265.74</u>	<u>86.29</u>

CARNEGIE FUND III - CARNEGIE WORLDWIDE LONG/SHORT FUND

SECURITIES PORTFOLIO AS AT 31 DECEMBER 2016

NOMINAL	SECURITY DESCRIPTION	MARKET VALUE (EUR)	% OF NET ASSETS
Short Sales of Transferable Securities Admitted To An Official Stock Exchange Listing/dealt in on another regulated market			
Shares			
	<u>France</u>		
-38,200	Edenred	-719,497.00	-1.27
		<u>-719,497.00</u>	<u>-1.27</u>
	<u>Japan</u>		
-59,000	IBIDEN	-753,364.73	-1.33
		<u>-753,364.73</u>	<u>-1.33</u>
	<u>Sweden</u>		
-42,000	Getinge B	-642,298.63	-1.13
-24,000	Hennes & Mauritz B	-636,583.45	-1.12
		<u>-1,278,882.08</u>	<u>-2.25</u>
	<u>Switzerland</u>		
-10,000	Sonova Holding Registered	-1,150,196.67	-2.03
		<u>-1,150,196.67</u>	<u>-2.03</u>
	<u>United States of America</u>		
-10,000	Intel Corporation	-343,758.89	-0.61
-8,000	United Natural Foods	-361,823.52	-0.64
-29,000	DSW A	-622,547.63	-1.10
-14,000	Gap	-297,753.77	-0.53
-2,500	International Business Machines Corporation	-393,303.95	-0.69
-10,000	Wal-Mart Stores	-655,103.78	-1.16
-3,400	WW Grainger	-748,412.47	-1.32
		<u>-3,422,704.01</u>	<u>-6.05</u>
	TOTAL SHARES	<u>-7,324,644.49</u>	<u>-12.93</u>
	TOTAL SHORT SALES OF TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING /DEALT IN ON ANOTHER REGULATED MARKET	<u>-7,324,644.49</u>	<u>-12.93</u>
	TOTAL SECURITIES PORTFOLIO	<u>41,599,621.25</u>	<u>73.36</u>

The accompanying notes form an integral part of these financial statements

CARNEGIE FUND III - CARNEGIE WORLDWIDE LONG/SHORT FUND

SECURITIES PORTFOLIO AS AT 31 DECEMBER 2016

NOMINAL	SECURITY DESCRIPTION		MARKET VALUE (EUR)	% OF NET ASSETS
DERIVATIVES				
Options				
	<u>Germany</u>			
150	DAX JAN 17 11000 CALL		378,975.00	0.67
			<u>378,975.00</u>	<u>0.67</u>
	TOTAL OPTIONS		<u>378,975.00</u>	<u>0.67</u>
Futures				
	<u>Germany</u>			
-60	NASDAQ 100 E-Mini Future	17/03/2017	2,502.13	0.00
-10	SP 500 Index Future	16/03/2017	33,883.04	0.06
			<u>36,385.17</u>	<u>0.06</u>
	<u>Germany</u>			
-20	EURO STOXX 50 Index Future	17/03/2017	-13,600.00	-0.02
-20	Stoxx Europe 50 Index Future	17/03/2017	-8,000.00	-0.01
			<u>-21,600.00</u>	<u>-0.03</u>
	TOTAL FUTURES		<u>14,785.17</u>	<u>0.03</u>
	TOTAL DERIVATIVES		<u>393,760.17</u>	<u>0.70</u>

CARNEGIE FUND III - CARNEGIE WORLDWIDE LONG/SHORT FUND

INDUSTRY SECTOR ANALYSIS AS AT 31 DECEMBER 2016

SECTOR DESCRIPTION	% OF NET ASSETS
Automobiles & Parts	3.51
Banks	5.08
Broadline Retailers	1.05
Central Governments	33.56
Electrical Components & Equipment	3.30
Financial Services	10.49
Food & Beverage	6.56
Health Care	-2.08
Industrials Engineering	1.50
Industrials Suppliers	-1.32
Internet	2.21
Options	0.67
Retail	-0.23
Software & Computer Services	5.03
Specialized Consumer Services	-1.27
Speciality Retailers	-1.10
Technology Hardware & Equipment	2.95
Tobacco	4.12
	<hr/> <hr/>
	74.03

A statement of changes in the composition of the portfolio is available to Shareholders free of charge on request from the Company's registered office

CARNEGIE FUND III - CARNEGIE EUROPEAN EQUITIES LONG/SHORT FUND

SECURITIES PORTFOLIO AS AT 31 DECEMBER 2016

NOMINAL	SECURITY DESCRIPTION	MARKET VALUE (EUR)	% OF NET ASSETS
Transferable Securities and money market instruments admitted to an official stock exchange listing/ dealt in on another regulated market			
Shares			
	<u>Denmark</u>		
10,000	Genmab	1,577,885.39	2.90
50,000	Novo Nordisk B	1,713,075.06	3.15
150,000	Ossur	507,465.70	0.93
100,000	Scandinavian Tobacco Group A	1,599,408.13	2.94
		<u>5,397,834.28</u>	<u>9.92</u>
	<u>Finland</u>		
25,000	Asiakastieto Group	481,250.00	0.88
		<u>481,250.00</u>	<u>0.88</u>
	<u>Germany</u>		
15,000	Bayer	1,486,950.00	2.73
40,000	Scout24	1,353,000.00	2.49
25,000	SAP	2,070,250.00	3.80
		<u>4,910,200.00</u>	<u>9.02</u>
	<u>Italy</u>		
15,000	Ferrari	829,500.00	1.52
		<u>829,500.00</u>	<u>1.52</u>
	<u>Netherlands</u>		
100,000	NN Group	3,219,500.00	5.91
		<u>3,219,500.00</u>	<u>5.91</u>
	<u>Norway</u>		
350,000	Storebrand	1,769,537.36	3.25
		<u>1,769,537.36</u>	<u>3.25</u>
	<u>Sweden</u>		
10,000	Autoliv SDB	1,076,045.43	1.98
117,331	Bravida Holding	678,551.08	1.25
275,000	Dometic Group	1,927,173.29	3.54
175,000	Inwido	1,731,040.98	3.18
150,000	INVISIO Communications	1,000,942.06	1.84
200,000	Resurs Holding	1,230,962.47	2.26
		<u>7,644,715.31</u>	<u>14.05</u>
	<u>United Kingdom</u>		
30,000	British American Tobacco	1,627,174.14	2.99
		<u>1,627,174.14</u>	<u>2.99</u>
	TOTAL SHARES	<u>25,879,711.09</u>	<u>47.54</u>
	TOTAL TRANSFERABLE SECURITIES AND MONEY MARKET INSTRUMENTS ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING/DEALT IN ON ANOTHER REGULATED MARKET.	<u>25,879,711.09</u>	<u>47.54</u>

The accompanying notes form an integral part of these financial statements

CARNEGIE FUND III - CARNEGIE EUROPEAN EQUITIES LONG/SHORT FUND

SECURITIES PORTFOLIO AS AT 31 DECEMBER 2016

NOMINAL	SECURITY DESCRIPTION		MARKET VALUE (EUR)	% OF NET ASSETS
Other Transferable Securities				
Bonds				
	<u>Spain</u>			
25,000,000	Bonos y Obligaciones del Estado 0.25%	30/04/2018	25,183,750.00	46.25
			<u>25,183,750.00</u>	<u>46.25</u>
	TOTAL BONDS		<u>25,183,750.00</u>	<u>46.25</u>
TOTAL OTHER TRANSFERABLE SECUTITIES			<u>25,183,750.00</u>	<u>46.25</u>
TOTAL SECURITIES PORTFOLIO			<u>51,063,461.09</u>	<u>93.79</u>
Derivatives				
Options				
	<u>Germany</u>			
-2,000	EURO STOXX 50 DEC 17 2500 PUT		-1,487,000.00	-2.73
1,000	EURO STOXX 50 DEC 17 2750 PUT		1,184,500.00	2.18
750	EURO STOXX 50 JAN 17 3100 CALL		1,425,375.00	2.62
-750	EURO STOXX 50 JAN 17 3300 CALL		-303,000.00	-0.56
			<u>819,875.00</u>	<u>1.51</u>
	TOTAL OPTIONS		<u>819,875.00</u>	<u>1.51</u>
Futures				
	<u>Germany</u>			
-150	EURO STOXX 50 Index Future	17/03/2017	-85,500.00	-0.16
			<u>-85,500.00</u>	<u>-0.16</u>
	TOTAL FUTURES		<u>-85,500.00</u>	<u>-0.16</u>
TOTAL DERIVATIVES			<u>734,375.00</u>	<u>1.35</u>

CARNEGIE FUND III - CARNEGIE EUROPEAN EQUITIES LONG/SHORT FUND

INDUSTRY SECTOR ANALYSIS AS AT 31 DECEMBER 2016

SECTOR DESCRIPTION	% OF NET ASSETS
Automobiles & Parts	7.04
Construction & Materials	1.25
Consumer Electronics	2.26
Durable Household Goods	3.18
Financial Services	0.88
Food & Beverage	2.99
Futures	-0.16
Government Bonds	46.25
Healthcare Equipment & Services	0.93
Insurance	9.16
Options	1.51
Pharmaceuticals & Biotechnology	8.78
Real Estate	2.49
Software & Computer Services	3.80
Telecommunications	1.84
Tobacco	2.94
	<hr/>
	95.14

A statement of changes in the composition of the portfolio is available to Shareholders free of charge on request from the Company's registered office

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL

CARNEGIE FUND III (hereafter “the Company”) is a company established in Luxembourg with a variable capital, Société d’Investissement à Capital Variable “SICAV” comprising separate “Sub-Funds”. The Company has been established as an open ended investment fund adopting alternative investment strategies under Part II of the Luxembourg Law 17 December 2010, as amended on undertakings for collective investment.

The Fund is considered as an Alternative Investment Fund since 5 August 2014 and has appointed Carnegie Fund Management Company S.A. as AIFM on August 8, 2014.

The Company presently has two Sub-Funds:

- Carnegie WorldWide Long/Short Fund,
- Carnegie European Equities Long/Short Fund

The Company has changed its registered office from Centre Europe, 5 Place de la Gare, L-1616 Luxembourg to le Dôme (A) 15, rue Bender, L-1229 Luxembourg on 16 August 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Valuation of investments

- (a) The value of any cash at hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, dividends and interests declared or due but not yet collected will be deemed to be the full value thereof, unless it is unlikely that such values are received in full, in which case the value thereof will be determined by deducting such amount the Directors consider appropriate to reflect the true value thereof.
- (b) Securities listed on a stock exchange or traded on any other regulated market will be valued at the last available price on such stock exchange or market. If a security is listed on several stock exchanges or markets, the last available price on the stock exchange or market, which constitutes the main market for such securities, will be determining.
- (c) Securities not listed on any stock exchange or traded on any regulated market will be valued at their last available market price.
- (d) Securities for which no price quotation is available or for which the price referred to in (b) and/or (c) is not representative of the fair market value, will be valued prudently, and in good faith on the basis of their reasonable foreseeable sales prices.
- (e) Contracts for differences are valued at fair value based on the last available price of the underlying security.
- (f) Investments in investment funds of an open ended type are taken at their latest net asset values reported by the administrator of the relevant investment fund.
- (g) Financial futures contracts (on securities, interest rates and indices) are valued at the exchange quoted settlement price. While the contracts are open, unrealised gains and losses are recorded on "mark-to market" basis at the valuation date. When a contract is closed, the Fund records a realised gain or loss equal to the difference between the proceeds from, or cost of, the closing transaction and the price at which the contract was originally written.
- (h) Options contracts (on securities, currencies, interest rates and indices) are valued on the basis of the last available trade price.
- (i) Forward foreign exchange contracts are valued by reference to the forward rate prevailing at the valuation date.
- (j) Contracts for which no price quotation is available or for which the price referred to in (g) and/or (h) is not representative of the fair market value, will be valued prudently, and in good faith on the basis of their reasonable foreseeable sales prices.

2.2 Short sales of securities

Short sales of securities are disclosed as negative amounts and valued marked to market in the securities portfolio as at 31 December 2016.

CARNEGIE FUND III

NOTES TO THE FINANCIAL STATEMENTS

2.3 Realised profit and loss on investments

Realised gains and losses on sales of investments have been determined on the average cost basis and include transaction costs.

Carnegie Worldwide Long/Short Sub Fund

<u>Description</u>		
Profit on Investments	EUR	8,351,356.78
Loss on Investments	EUR	-2,953,043.96
Profit on Short Holdings	EUR	1,457,112.25
Loss on Short Holdings	EUR	<u>-1,125,223.16</u>
		5,730,201.91

<u>Description</u>		
Profit on Options	EUR	47,750.00
Loss on Options	EUR	<u>-196,764.00</u>
		-149,014.00

<u>Description</u>		
Profit on Futures	EUR	1,501,606.86
Loss on Futures	EUR	-2,894,778.45
Commissions on Futures	EUR	<u>-6,133.54</u>
		-1,399,305.13

<u>Description</u>		
Profit on foreign exchange	EUR	6,545,776.49
Loss on foreign exchange	EUR	<u>-6,663,509.16</u>
		-117,732.67

Carnegie European Equities Long/Short Sub Fund

<u>Description</u>		
Profit on Investments	EUR	3,238,054.28
Loss on Investments	EUR	-3,107,733.72
Profit on Short Holdings	EUR	2,621,501.94
Loss on Short Holdings	EUR	<u>-4,551.63</u>
		2,747,270.87

<u>Description</u>		
Profit on Options	EUR	2,474,673.00
Loss on Options	EUR	<u>-7,737,664.50</u>
		-5,262,991.50

<u>Description</u>		
Profit on Futures	EUR	0.00
Loss on Futures	EUR	-480,000.00
Commissions on Futures	EUR	<u>-2,250.00</u>
		-482,250.00

<u>Description</u>		
Profit on foreign exchange	EUR	335,642.86
Loss on foreign exchange	EUR	<u>-962,070.75</u>
		-626,427.89

NOTES TO THE FINANCIAL STATEMENTS

2.4 Foreign currency translation

The combined financial statements of the Fund are maintained in EUR. The combined financial statements are the sum of the Sub-Funds' financial statements equivalent in EUR translated, where applicable, at the rate of exchange ruling as at 31 December 2016.

The market value of the investments and other assets and liabilities expressed in currencies other than the base currency of the Sub-Fund have been converted at the rates of exchange ruling as at 31 December 2016. The cost of investments in currencies other than the base currency of the Sub-Fund is converted at the rates of exchange prevailing at each Net Asset Value calculation date. The realised and change in net unrealised gains and losses on foreign exchange are recognised in the Statement of Operations and Changes in Net Assets.

Income and expenses expressed in currencies other than the reference currency are converted at exchange rates ruling at the transaction date.

2.5 Dividend and interest income

Dividends are shown net of withholding tax deducted at source, and are recorded as income on the ex-dividend date.

Interest income is accrued on a daily basis.

Dividends and interests on short sold securities are recorded as expenses.

2.6 Additional information – Year-end Valuation

The annual report is presented on the basis of a NAV recomputed for reporting purposes only using closing prices as at 31 December 2016.

3 EXCHANGE RATES AT 31 DECEMBER 2016

1 CHF	=	0.93208806 EUR	1 JPY	=	0.00811754 EUR
1 DKK	=	0.13451708 EUR	1 SEK	=	0.10467368 EUR
1 GBP	=	1.17362627 EUR	1 USD	=	0.94777746 EUR
1 INR	=	0.01395148 EUR	1 NOK	=	0.11010063 EUR

4 TAXATION

The Company is registered under the Luxembourg law as an investment company (Société d'Investissement à Capital Variable "SICAV"). Accordingly, no Luxembourg income or capital gains tax is, at present, payable. It is subject, however, to an annual "taxe d'abonnement" calculated at the annual rate of 0.05% of the net asset value of the Company at the end of each quarter, excluding investments in other Luxembourg funds already subject to that tax. This tax is payable quarterly.

CARNEGIE FUND III

NOTES TO THE FINANCIAL STATEMENTS

5 FUTURES CONTRACTS AND OPTIONS

FUTURES CONTRACTS

<u>Number of contracts bought/(sold)</u>	<u>Counter party</u>	<u>Contract</u>			<u>Unrealised appreciation/(depreciation)</u>		<u>Commitment</u>
					<u>EUR</u>		<u>EUR</u>
<u>Carnegie Worldwide Long/Short Sub Fund</u>							
-20	UBS	EURO STOXX 50 Index Future	17/03/2017	EUR	-13,600.00	EUR	658,104.00
-20	UBS	Stoxx Europe 50 Index Future	17/03/2017	EUR	-8,000.00	EUR	602,110.00
-60	UBS	NASDAQ 100 E-Mini Future	17/03/2017	EUR	2,502.13	EUR	5,836,344.00
-10	UBS	SP 500 Index Future	16/03/2017	EUR	33,883.04	EUR	5,597,075.00
				EUR	14,785.17	EUR	12,693,633.00

Carnegie European Equities Long/Short Sub Fund

-150	UBS	EURO STOXX 50 Index Future	17/03/2017	EUR	-85,500.00	EUR	4,935,780.00
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OPTIONS

<u>Number of contracts bought/(sold)</u>	<u>Counter party</u>	<u>Contract</u>			<u>Unrealised appreciation/(depreciation)</u>		<u>Commitment</u> *
					<u>EUR</u>		<u>EUR</u>
<u>Carnegie Worldwide Long/Short Sub Fund</u>							
150	UBS	DAX JAN 17 11000 CALL			236,172.50		-
<u>Carnegie European Equities Long/Short Sub Fund</u>							
-2,000	UBS	EURO STOXX 50 DEC 17 2500 PUT			-4,500.00		65,810,400.00
1,000	UBS	EURO STOXX 50 DEC 17 2750 PUT			-32,750.00		-
750	UBS	EURO STOXX 50 JAN 17 3100 CALL			1,087,413.50		-
-750	UBS	EURO STOXX 50 JAN 17 3300 CALL			88,436.50		24,678,900.00
					1,138,600.00		90,489,300.00

* Commitment is only calculated and disclosed for short options.

CARNEGIE FUND III

NOTES TO THE FINANCIAL STATEMENTS

6 CHANGE IN UNREALISED APPRECIATION/(DEPRECIATION) ON PORTFOLIO

Carnegie Worldwide Long/Short Sub Fund

Description

Change in unrealised appreciation on investments	EUR -8,766,538.02
Change in unrealised depreciation on investments	EUR -164,294.22
Change in net unrealised depreciation on investments	EUR <u>-8,930,832.24</u>
Change in unrealised appreciation on futures contracts	EUR 36,385.17
Change in unrealised depreciation on futures contracts	EUR 138,820.89
Change in net unrealised appreciation on futures contracts	EUR <u>175,206.06</u>
Change in unrealised appreciation on options	EUR 236,172.50
Change in unrealised depreciation on options	EUR 0.00
Change in net unrealised appreciation on options	EUR <u>236,172.50</u>

Carnegie European Equities Long/Short Sub Fund

Description

Change in unrealised appreciation on investments	EUR 699,378.72
Change in unrealised depreciation on investments	EUR 488,062.81
Change in net unrealised appreciation on investments	EUR <u>1,187,441.53</u>
Change in unrealised appreciation on futures contracts	EUR 0.00
Change in unrealised depreciation on futures contracts	EUR -85,500.00
Change in net unrealised depreciation on futures contracts	EUR <u>-85,500.00</u>
Change in unrealised appreciation on options	EUR 1,091,913.50
Change in unrealised depreciation on options	EUR 109,419.50
Change in net unrealised appreciation on options	EUR <u>1,201,333.00</u>

7 MANAGEMENT FEES

The AIFM receives a management fee of 1.22% per annum of the Net Asset Value of all the Company's Sub Funds, calculated monthly and paid on a monthly basis.

NOTES TO THE FINANCIAL STATEMENTS

8 PERFORMANCE FEE

The Company pays the Investment Managers a performance fee (the “Performance Fee”).

The Performance Fee will accrue daily and will be due from the relevant Sub Fund’s assets to the Investment Managers as of the end of each Calendar Quarter. The Performance Fee for any Calendar Quarter is an amount equal to 20% of the net realised and unrealised appreciation, if any, in the Net Asset Value of the shares (adjusted for the sale and redemption of shares) during each Calendar Quarter of the relevant Sub Fund, but only in the event the relevant Sub Fund’s Net Asset Value has increased for that Calendar Quarter and cumulatively since the issuance of the shares above a hurdle rate.

The hurdle rate is defined as the EURIBOR 3 month average rate capped at 8.0%, meaning that the hurdle rate never can exceed 8% for any given time period it is calculated. The hurdle is calculated after taking into account the annual Management Fee and is pro rated for a partial year. If a share has a Net Loss allocable to it during any Calendar Quarter and during a subsequent Calendar Quarter there is a Net Profit allocable to the share there will be no Performance Fee payable with respect to the share until the amount of the Net Loss previously allocated to the share has been recouped.

The performance fee mechanism is described in detail in the Company’s Prospectus.

9 CUSTODIAN AND ADMINISTRATION FEES

In consideration for its services, the Custodian shall be paid custodian fees of a total of 0.03% per annum of the Net Asset Value of all the Company’s Sub Funds, calculated monthly and paid on a monthly basis.

The fees to be received by the Administration Agent are borne by the AIFM.

10 USE OF PRIME BROKER

The Company has appointed UBS AG, London (the “Prime Broker”) to provide certain contractual settlement and custodial services for the Fund’s non-cash assets and banker of all the Fund’s cash. The Prime Broker will at all times ensure that the Fund’s assets are segregated from the Prime Broker’s own assets and those of other customers of the Prime Broker.

11 TRANSACTION COSTS

For the year ended 2016, the Company incurred transaction costs which have been defined as the commission paid by the Company to the intermediary relating to purchases or sales of transferable securities, money market instruments, derivatives or other eligible assets, as follows:

Carnegie Worldwide Long/Short Sub Fund	- EUR 272,091.88
Carnegie European Equities Long/Short Sub Fund	- EUR 387,880.40

Transaction costs are included in the transaction price used to calculate the realised and unrealised gains/losses on securities.