

# **BLUEORCHARD UCITS**

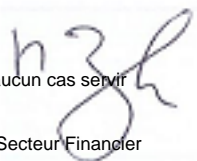
*SOCIETE D'INVESTISSEMENT A CAPITAL VARIABLE*

**PROSPECTUS**

**JULY 2019**

VISA 2019/157141-11734-0-PC

L'apposition du visa ne peut en aucun cas servir  
d'argument de publicité  
Luxembourg, le 2019-07-26  
Commission de Surveillance du Secteur Financier



## IMPORTANT INFORMATION

### General

BlueOrchard UCITS (the **Company**) is registered in the Grand Duchy of Luxembourg as an undertaking for collective investment pursuant to Part I of the act of 17 December 2010 relating to undertakings for collective investment, as amended (the **2010 Act**) and qualifies as an undertaking for collective investments in transferable securities (**UCITS**) under the Directive 2009/65/EC of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to UCITS, as may be amended or supplemented from time to time (**UCITS Directive**), and may therefore be offered for sale in European Union (**EU**) Member States (subject to applicable notification process). The Company is structured as an umbrella fund to provide both institutional and retail investors with a variety of sub-funds (the **Sub-funds**, each a **Sub-fund**).

The registration of the Company does not require any Luxembourg authority to approve or disapprove either the adequacy or accuracy of this Prospectus or the assets held in the various Sub-funds.

### Definitions

Unless the context otherwise requires, or as otherwise provided in this Prospectus, capitalised words and expressions will bear the respective meanings ascribed thereto in the Section "Definitions" below.

### Stock Exchange Listing

Application may be made to list certain Classes on the Luxembourg Stock Exchange and any other stock exchange, Regulated Market or other multilateral trading facility as determined by the board of directors of the Company (the **Board**).

The approval of any listing particulars pursuant to the listing requirements of the relevant stock exchange, Regulated Market or multilateral trading facility does not constitute a warranty or representation by such stock exchange, Regulated Market or multilateral trading facility as to the competence of the service providers or as to the adequacy of information contained in the listing particulars or the suitability of the Shares for investment or for any other purpose.

### Reliance

Shares in the Company are offered solely on the basis of the information and the representations contained in the current Prospectus accompanied by the KIID(s), the latest annual report and semi-annual report, if published after the latest annual report, as well as the documents mentioned herein which may be inspected by the public at the offices of the Company and Administrative Agent. The annual report and the semi-annual report form an integral part of the Prospectus. All Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Prospectus and the Articles.

In addition to the General Section, investors must refer to the relevant Special Section(s) attached at the end of the Prospectus. Each Special Section sets out the specific objectives, policy and other features of the relevant Sub-fund to which the Special Section relates as well as risk factors and other information specific to the relevant Sub-fund.

No person has been authorised to issue any advertisement or to give any information, or to make any representations in connection with the offering, placing, subscription, sale, or redemption of Shares other than those contained in this Prospectus and the KIID(s) and, if issued, given or made, such advertisement, information or representations must not be relied upon as having been authorised by the Company. Neither the delivery of this Prospectus or of the KIID(s) nor the offer, placement, subscription or issue of any of the Shares will under any circumstances create any implication or constitute a representation that the information given in this Prospectus and in the KIID(s) is correct as of any time subsequent to the date hereof.

## **Responsibility for the Prospectus**

The members of the Board, whose names appear under the Section "General Information", accept joint responsibility for the information and statements contained in this Prospectus and in the KIID issued for each Sub-fund. They have taken all reasonable care to ensure that the information contained in this Prospectus and in the KIID(s) is, to the best of their knowledge and belief, true and accurate in all material respects and that there are no other material facts the omission of which makes misleading any statement herein, whether of fact or opinion at the date indicated on this Prospectus.

## **Umbrella structure and Sub-funds**

Investors may, subject to applicable law and eligible criteria of the relevant Classes, invest in any Sub-fund offered by the Company. Investors should choose the Sub-fund that best suits their specific risk and return expectations as well as their diversification needs and are encouraged to seek independent advice in that regard. A separate pool of assets and liabilities will be maintained for each Sub-fund and will be invested in accordance with the Investment Policy applicable to the relevant Sub-fund in seeking to achieve its Investment Objective. The Net Asset Value and the performance of the Shares of the different Sub-funds and Classes thereof are expected to differ. The price of Shares and the income (if any) from them may fall as well as rise and there is no guarantee or assurance that the stated Investment Objective of a Sub-fund will be achieved.

## **General risk warnings**

An investment in the Company involves investment risks including those set out in Schedule 2. In addition, investors should refer to the Section "Risk factors" of the Special Section of the relevant Sub-fund (if any) in order to assess and inform themselves on the specific risks associated with an investment in such Sub-fund.

The Company is allowed to invest in financial derivative instruments. While the prudent use of derivatives can be beneficial, derivatives also involve risks different from, and, in certain cases, greater than, the risks presented by more traditional investments. A more detailed description of the risks relating to the use of derivatives is set out in Schedule 2. The Special Section relating to each Sub-fund will give more precise information on the types of derivatives, if any, which may be used by a Sub-fund for investment purposes.

## **Selling restrictions**

The distribution of this Prospectus and the offering or purchase of Shares is restricted in certain jurisdictions. This Prospectus and the KIID(s) do not constitute an offer of or invitation or solicitation to subscribe for or acquire any Shares in any jurisdiction in which such offer or solicitation is not permitted, authorised or would be unlawful. Persons receiving a copy of this Prospectus or of the KIID(s) in any jurisdiction may not treat this Prospectus or KIID(s) as constituting an offer, invitation or solicitation to them to subscribe for or acquire Shares notwithstanding that, in the relevant jurisdiction, such an offer, invitation or solicitation could lawfully be made to them without compliance with any registration or other legal requirement. It is the responsibility of any persons in possession of this Prospectus or of the KIID(s) and any persons wishing to apply for or acquire Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. In particular, prospective applicants for or purchasers of Shares should inform themselves as to the legal requirements of so applying or purchasing, and any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence or domicile. Prospective investors should review this Prospectus carefully and in its entirety and consult with their legal, tax and financial advisers in relation to (i) the legal and regulatory requirements within their own countries for the subscribing, purchasing, holding, switching, redeeming or disposing of Shares; (ii) any foreign exchange restrictions to which they are subject in their own countries in relation to the subscribing, purchasing, holding, switching, redeeming or disposing of Shares; (iii) the legal, tax, financial or other consequences of subscribing for, purchasing, holding, switching, redeeming or disposing of Shares; and (iv) any other consequences of such activities.

The Shares have not been registered under the US Securities Act of 1933, as amended (the **US Securities Act**) or the securities laws of any state or political subdivision of the United States, and may not be offered, sold, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any US Person. The Company has not registered and does not intend to register: (a) under the United States Investment Company Act of 1940, as amended (the **Investment Company Act**) in reliance on the exemption from such registration pursuant to Section 3(c)(7) thereunder; or (b) with the United States Commodity Futures Trading Commission (the **CFTC**) as a commodity pool operator, in reliance on the exemption from such registration pursuant to CFTC Rule 4.13(a)(4). Accordingly, the Shares are being offered and sold only outside the United States to persons other than US Persons in offshore transactions that meet the requirements of Regulation S under the US Securities Act.

This Prospectus does not constitute an offer or solicitation in respect of any US Person, as defined herein. The Shares may not be offered, sold, transferred or delivered, directly or indirectly, in the United States of America, its territories or possessions or to US Persons. Neither the Shares nor any interest therein may be beneficially owned by any other US Person. Any re-offer or resale of any of the Shares in the United States or to US Persons is prohibited.

Each applicant for the Shares must certify that it is not a US person as defined in Regulation S under the US Securities Act and CFTC Rule 4.7 and not a US resident within the meaning of the Investment Company Act.

If you are in any doubt as to your status, you should consult your financial, tax, legal or other professional adviser.

#### **Foreign Account Tax Compliance Act ("FATCA")**

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (**FATCA**) impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a **Foreign Financial Institution**, or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. Person or should otherwise be treated as holding a "**United States account**" of the Company (a **Recalcitrant Holder**). The new withholding regime is now in effect for payments from sources with the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2019. The Company is classified as an FFI.

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** (or, in the case of certain exempt entities, a "**Nonreporting FI**") not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. On 28 March 2014, the United States and the Grand Duchy of Luxembourg entered into an agreement (the **Luxembourg IGA**) based largely on the Model 1 IGA.

The Company expects to be treated as a Reporting FI pursuant to the Luxembourg IGA. It does not anticipate that it will be obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Company would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Company and financial institutions through which payments on the Shares are made may be required to withhold FATCA Withholding if (i) any FFI through or to which

payment on such Shares is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If an amount in respect of FATCA were to be withheld either from amounts due to the Company or from any payments on the Shares, neither the Company nor any other Person would be required to pay additional amounts.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Company and to payments they may receive in connection with the Shares.

Except as provided above with respect to FATCA, this summary does not address any U.S. federal income tax consequences that may be relevant to an investment in the Company, including, but not limited to, the U.S. federal income tax consequences of investments by the Company or distributions paid by the Company to Investors. Each prospective investor should also note that this summary does not address the interaction of U.S. federal tax laws and any income or estate tax treaties between the United States and any other jurisdiction. Investors are encouraged to consult their own tax advisors regarding the U.S. federal income tax consequences that may be relevant to an investment in the Company.

### **Exchange of information for tax purposes**

The Company may be required to report certain information about its Shareholders and, as the case may be, about individuals controlling Shareholders that are entities, on an automatic and annual basis to the Luxembourg direct tax administration (*Administration des contributions directes*) in accordance with, and subject to, the Luxembourg law of 24 July 2015 concerning FATCA, and/or the Luxembourg law of 18 December 2015 implementing Council Directive 2014/107/EU and the standard for automatic exchange of financial account information in tax matters developed by the OECD with the G20 countries (commonly referred to as the “Common Reporting Standard”), each as amended from time to time (each an **AEOI Law** and collectively the **AEOI Laws**). Such information, which may include personal data (including, without limitation, the name, address, country(ies) of tax residence, date and place of birth and tax identification number(s) of any reportable individual) and certain financial data about the relevant Shares (including, without limitation, their balance or value and gross payments made thereunder), will be transferred by the Luxembourg direct tax administration to the competent authorities of the relevant foreign jurisdictions in accordance with, and subject to, the relevant Luxembourg legislation and international agreements.

Each Shareholder and prospective investor agrees to provide, upon request by the Company (or its delegates), any such information, documents and certificates as may be required for the purposes of the Company’s identification and reporting obligations under any AEOI Law. The Company reserves the right to reject any application for Shares or to redeem Shares (i) if the prospective investor or Shareholder does not provide the required information, documents or certificates or (ii) if the Company (or its delegates) has reason to believe that the information, documents or certificates provided to the Company (or its delegates) are incomplete or incorrect and the Shareholder does not provide, to the satisfaction of the Company (or its delegates), sufficient information to cure the situation. Prospective investors and Shareholders should note that incomplete or inaccurate information may lead to multiple and/or incorrect reporting under the AEOI Laws. Neither the Company nor any other person accepts any liability for any consequences that may result from incomplete or inaccurate information provided to the Company (or its delegates). Any Shareholder failing to comply with the Company’s information requests may be charged with any taxes and penalties imposed on the Company attributable to such Shareholder’s failure to provide complete and accurate information.

Each Shareholder and prospective investor acknowledges and agrees that the Company will be responsible to collect, store, process and transfer the relevant information, including the personal data, in accordance with the AEOI Laws. Each individual whose personal data has been processed for the purposes of any AEOI Law

has a right of access to his/her personal data and may ask for a rectification thereof in case where such data is inaccurate or incomplete.

### **Prevailing language**

The distribution of this Prospectus and the KIID(s) in certain countries may require that these documents be translated into the official languages of those countries. Should any inconsistency arise between the translated versions of this Prospectus, the English version will always prevail.

### **Data protection**

For the purposes of this Prospectus, “Data Protection Legislation” means any applicable law, statute, declaration, decree, directive, legislative enactment, order, ordinance, regulation, rule or other binding instrument which implements the Directive (95/46/EC) and as from 25 May 2018 Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (the “GDPR”) as such legislation and guidance may be amended, replaced or repealed from time to time. The terms “Personal Data”, “Data Subject”, “Controller” and “Processor” shall have their meanings given to them as set out in Data Protection Legislation.

The Company acts as Controller in relation to any Personal Data that Shareholders provide to the Company. To the extent they process personal data on behalf of the Controller, the Service Providers shall act as Processors.

The Shareholders and the Company shall comply with the Data Protection Legislation when processing personal data arising out of the documents available to Shareholders.

To the extent the Shareholder is an individual, the Shareholder is informed and acknowledges that the documentation and information the Shareholder provides to the Company will be processed in accordance with the privacy notice provided separately (the “Privacy Notice”).

Where Personal Data is shared by the Shareholder on individuals relating to such investor (e.g. information relating to its own shareholders, representatives, contact persons, directors and/or beneficial owners), with the Company, the Shareholder shall ensure such disclosure is in compliance with all Data Protection Legislation and that there is no prohibition or restriction which could:

- prevent or restrict it from disclosing or transferring the Personal Data to the Company;
- prevent or restrict the Company from disclosing or transferring Personal Data to its affiliates, subcontractors, vendors, credit reference agencies and competent authorities pursuant to its obligations; and
- prevent or restrict the Company, its affiliates and subcontractors from processing the personal data for the purposes set out in the Privacy Notice.

In the event the Shareholder shares Personal Data on individuals related to such Shareholder with the Company, the investor shall ensure that it has provided a fair processing notice informing such individuals of the processing of their Personal Data as described in the Privacy Notice, including notifying such individuals of any updates to the Privacy Notice. Where required, the Shareholder shall procure the necessary consents from individuals to the processing of Personal Data as described in the Privacy Notice.

The Shareholders shall indemnify and hold the Company harmless for and against all direct and indirect damages and financial consequences arising from any breach of these warranties.

**Phone recording**

All Shareholders (including individuals related to them, who will be individually informed by such Shareholders in turn) acknowledge and agree that telephone conversation with the Company and the Service Providers may be recorded in compliance with the applicable laws and regulations for the purposes of evidencing the content of a communication or a commercial transaction and then preventing or facilitating the prevention of disputes or litigations.

**These records are kept during the period necessary for the achievement of the purposes as described in this paragraph, in accordance with applicable laws and/or regulations, and no longer than seven (7) years when used to for the purposes of evidencing the content of a communication or a commercial transaction, and ten (10) years in the context of a of dispute or litigation. The records shall not be disclosed to any third party, unless the Company or the Service Providers is/are compelled to or has/have the right to do so under applicable laws and/or regulations in order to achieve the purpose as described in this paragraph.**

## **GENERAL INFORMATION**

### **Registered office**

31, Z.A. Bourmicht  
L-8070 Bertrange  
Grand Duchy of Luxembourg

### **Members of the board of directors**

- Mr Christophe Grünig (chairman), independent director
- Mr Michael Vareika, independent director
- Mr Maxime Blanquet du Chayla, independent director

### **Management Company**

BlueOrchard Asset Management (Luxembourg) S.A.  
1, rue Goethe  
L-1637 Luxembourg  
Grand Duchy of Luxembourg

### **Directors of the Management Company**

- Mr Frédéric Berney (chairman)
- Mr Michael Vareika
- Ms Maria Teresa Zappia
- Mr Sascha Ternes

### **Conducting officers of the Management Company**

- Mr Roland Schilpp
- Mr Christophe Tabarovsky

### **Investment Manager**

BlueOrchard Finance Ltd  
Seefeldstrasse 233  
CH-8008 Zurich  
Switzerland

### **Depository and paying agent**

Citibank Europe plc, Luxembourg Branch  
31, Z.A. Bourmicht  
L-8070 Bertrange  
Grand Duchy of Luxembourg



**Administrative Agent**

Citibank Europe plc, Luxembourg Branch  
31, Z.A. Bourmicht  
L-8070 Bertrange  
Grand Duchy of Luxembourg

**Auditor**

PricewaterhouseCoopers, *société coopérative*  
2, rue Gerhard Mercator  
L-2182 Luxembourg  
Grand Duchy of Luxembourg

**Legal and tax adviser**

Allen & Overy, *Société en commandite simple*  
33, avenue J.F. Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

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## DEFINITIONS

In this Prospectus, the following terms have the following meanings.

**144 A Securities** means Shares sold to US Persons who are "qualified institutional buyers" within the meaning of Rule 144A under the US Securities Act and "qualified purchasers" within the meaning of Section 2(a)(51) of the Investment Company Act.

**1915 Act** means the Luxembourg act of 10 August 1915 on commercial companies, as amended.

**2008 Regulation** means the grand-ducal regulation of 8 February 2008 implementing Commission Directive 2007/16 of 19 March 2007 as regards the clarification of certain definitions.

**2010 Act** means the act dated 17 December 2010 on undertakings for collective investment, as amended.

**Accumulation Class** means a Class for which it is not intended to make distributions, as set out in the relevant Special Section.

**Administrative Agent** means Citibank Europe, Plc, Luxembourg Branch, in its capacity as central administration, registrar and transfer agent, paying agent and domiciliary agent of the Company.

**Affiliate** means in relation to any person, any entity Controlled by or Controlling such person or under common Control.

**Alternative Currency** means the currency of a Class in which the Net Asset Value of such Class is calculated, which is different than the Reference Currency as stipulated in the relevant Special Section. Currencies used as Alternative Currencies may be EUR, USD, CHF, GBP, SEK, NOK, CAD, AUD, JPY, HKD and SGD.

**Articles** means the articles of incorporation of the Company as the same may be amended, supplemented or otherwise modified from time to time.

**AUD** means Australian dollar.

**Auditor** means PricewaterhouseCoopers, *société coopérative*.

**Board** means the board of directors of the Company.

**Business Day** means, unless otherwise defined in respect of a specific Sub-fund in the relevant Special Section, a day on which banks are generally open for business in Luxembourg during the whole day (excluding Saturdays and Sundays and public holidays).

**Buy-sell Back Transaction or Sell-buy Back Transaction** means a transaction by which a counterparty buys or sells securities, commodities, or guaranteed rights relating to title to securities, agreeing, respectively, to sell or to buy back securities or such guaranteed rights of the same description at a specified price on a future date, that transaction being a buy-sell back transaction for the counterparty buying the securities or guaranteed rights, and a sell-buy back transaction for the counterparty selling them, such buy-sell back transaction or sell-buy back transaction not being governed by a Repurchase Transaction agreement or by a reverse Repurchase Transaction agreement.

**CAD** means Canadian dollar.

**Calculation Date** means the Business Day on which the Net Asset Value is calculated and published in respect of a specific Valuation Date. Unless otherwise provided for in respect of a specific Sub-fund in the relevant Special Section, the Calculation Date will be the first Business Day following the relevant Valuation Date.

**CFTC** means the United States Commodity Futures Trading Commission.

**CHF** means Swiss Franc.

**Circular 12/546** means CSSF circular 12/546 on the authorisation and organisation of the Luxembourg management companies subject to Chapter 15 of the 2010 Act.

**Circular 04/146** means the CSSF circular 04/146 on the protection of UCIs and their investors against Late Trading and Market Timing practices.

**Circular 14/592** means the CSSF circular 14/592 implementing the ESMA guidelines 2014/937 of 1 August 2014 on ETFs and other UCITS issues.

**Class** means a class of Shares issued in any Sub-fund.

**Class Launch Date** means the date, as determined by the Board, on which the Company (re)opens a Class for subscription.

**Clearstream** means Clearstream Banking, *société anonyme*.

**Company** means BlueOrchard UCITS, a public limited liability company incorporated as an investment company with variable capital under the laws of Luxembourg and registered pursuant to part I of the 2010 Act.

**Control** means, in relation to an entity: (a) the holding, directly or indirectly, of the majority votes which may be cast at that entity's ordinary shareholders', partners' or members' meetings or the votes necessary to direct or cause the direction of that entity's ordinary shareholders', partners' or members' meetings, and (b) any contractual relationship by virtue of which a person can direct the business activities of a company or other entity and "controlled" or "to control" will be construed accordingly.

**CRS Eligible Investor** means a person that is neither a "Reportable Person" within the meaning of the Luxembourg law of 18 December 2015 concerning the Common Reporting Standard nor a passive non-financial entity controlled by persons that are Reportable Persons.

**CSSF** means the *Commission de Surveillance du Secteur Financier*, the Luxembourg supervisory authority of the financial sector.

**Depository** means Citibank Europe Plc, Luxembourg Branch, in its capacity as depository of the Company.

**Depository Agreement** means the depository agreement between the Company and the Depository as amended, supplemented or otherwise modified from time to time.

**Directive 78/660/EEC** means Council Directive 78/660/EEC of 25 July 1978 based on Article 54 (3) g) of the Treaty on the annual accounts of certain types of companies, as amended from time to time.

**Directive 83/349/EEC** means Council Directive 83/349/EEC of 13 June 1983 based on the Article 54 (3) (g) of the Treaty on consolidated accounts, as amended from time to time.

**Directive 2009/65/EC** means Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in Transferable Securities (UCITS), as may be amended or supplemented from time to time.

**Directors** means the directors of the Company, whose details are set out in this Prospectus and/or the annual and semi-annual reports.

**Distributors** means any person from time to time appointed or authorised by the Company to distribute the Shares of one or more Sub-funds or Classes (including, for the avoidance of doubt, the Management Company and its delegates).

**EEA** means the European Economic Area.

**Eligible Investments** means eligible investments for UCITS within the meaning of Article 41(1) of the 2010 Act.

**Eligible Investor** means, in relation to each Class in each Sub-fund, an investor that satisfies the relevant criteria to invest in the relevant Class as is stipulated in the relevant Special Section and that is not a Restricted Person.

**EPM Techniques** means (reverse) repurchase transactions or securities lending transactions (and SFTs) as more fully described in Schedule 1, Section 1.7 et seq.

**EU** means the European Union whose member States at the date of this Prospectus include Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

**EU Member State** means a member State of the EU.

**EUR** or **€** means the Euro, the single currency of the Participating Member States.

**Euroclear** means Euroclear Bank S.A./N.V. as the operator of the Euroclear System.

**FATCA** means Sections 1471 through 1474 of the U.S. Internal Revenue Code.

**FATCA Eligible Investor** means (i) an "exempt beneficial owner" (as defined by FATCA), (ii) an "Active NFFE" (as defined in the IGA), (iii) a "U.S. person" that is not a "Specified U.S. Person" (each as defined in the IGA), or (iv) a "Financial Institution" that is not a "Non-participating Financial Institution" (each as defined in the IGA).

**First Class Institutions** means first class financial institutions selected by the Company, subject to prudential supervision and belonging to the categories approved by the CSSF for the purposes of the OTC Derivative transactions and EPM Techniques and specialised in this type of transaction.

**Fiscal Year** means the twelve (12) month period ending on 31 December in each year.

**GBP** means British Pound Sterling.

**General Section** means the general section of the Prospectus that sets out the general terms and conditions applicable to all Sub-funds of the Company, unless otherwise provided in any of the Special Sections.

**HKD** means Hong Kong dollar.

**IGA** means the intergovernmental agreement signed on 28 March 2014 between the Government of Luxembourg and the Government of the United States of America to improve international tax compliance and with respect to the United States information reporting provisions commonly known as FATCA.

**Initial Sub-funds** means the Sub-funds listed in 1.3 of the General Section.

**Initial Subscription Period** or **Initial Subscription Date** means, with respect to each Sub-fund, the first offering of Shares in a Sub-fund made pursuant to the terms of the Prospectus and the relevant Special Section.

**Initial Subscription Price** means the price at which Shares are issued in respect of subscriptions received during the Initial Subscription Period or on the Initial Subscription Date or on the Class Launch Date, as determined for each Sub-fund and Class in the relevant Special Section.

**Institutional Investors** means investors who qualify as institutional investors according to article 174 of the 2010 Act.

**Investing Sub-fund** has the meaning ascribed to this term in Schedule 1, Section 1.9.

**Investment Adviser** means such person from time to time appointed by the Company, the Management Company and/or the Investment Manager as the investment adviser of a particular Sub-fund and disclosed (if and to the extent required) in the relevant Special Section.

**Investment Advisory Agreement** means the investment advisory agreement between the Management Company, the Investment Manager, relevant Investment Adviser and the Company, as the case may be.

**Investment Advisory Fee** means the investment advisory fee payable to the Investment Adviser, as set out in the relevant Special Section.

**Investment Company Act** means the United States Investment Company Act of 1940, as amended.

**Investment Management Agreement** means the investment management agreement between the Management Company, the relevant Investment Manager and the Company, as the case may be.

**Investment Manager** means BlueOrchard Finance Ltd.

**Investment Objective** means the investment objective of a Sub-fund as specified in the relevant Special Section.

**Investment Policy** means the investment policy of a Sub-fund as specified in the relevant Special Section.

**Investment Restrictions** means the investment restrictions applicable to the Sub-funds. The investment restrictions applicable to all Sub-funds are set out under Section 3 of the General Section. Additional investment restrictions may be applicable to each Sub-fund as set out in the relevant Special Section.

**JPY** means Japanese Yen.

**KIID** means the key investor information document in respect of each Class of each Sub-fund.

**Late Trading** means any market timing practice within the meaning of Circular 04/146 or as that term may be amended or revised by the CSSF in any subsequent circular, i.e., the acceptance of a subscription or redemption order after the time limit fixed for accepting orders (cut-off time) on the

relevant day and the execution of such order at the price based on the net asset value applicable to such same day.

**Launch Date** means the date on which the Company issues Shares relating to a Sub-fund in respect of subscriptions received during the Initial Subscription Period or on the Initial Subscription Date as set out in respect of each Sub-fund in the relevant Special Section.

**Luxembourg** means the Grand Duchy of Luxembourg.

**Luxembourg Law** means the applicable laws of the Grand Duchy of Luxembourg.

**Management Company** means BlueOrchard Asset Management (Luxembourg) S.A..

**Management Company Agreement** means the management company agreement between the Company and the Management Company dated 2 July 2018, as amended, supplemented or otherwise modified from time to time.

**Management Fee** means the management fee payable to BlueOrchard Asset Management (Luxembourg) S.A. in its capacity as management company of the Company, as set out in each Special Section.

**Market Timing** means any market timing practice within the meaning of Circular 04/146 or as that term may be amended or revised by the CSSF in any subsequent circular, i.e., an arbitrage method through which an investor systematically subscribes and redeems or converts units or shares of the same Luxembourg undertaking for collective investment within a short time period, by taking advantage of time differences and/or imperfections or deficiencies in the methods of determination of the net asset value of the UCI.

**Minimum Net Asset Value** means the minimum Net Asset Value for a Sub-fund to be operated in an economically efficient manner. Unless otherwise specified in respect of a Sub-fund in the relevant Special Section, the Minimum Net Asset Value per Sub-fund will be USD 5,000,000 (or the equivalent in the Reference Currency of the relevant Sub-fund). If the Net Asset Value of a Sub-fund falls below the Minimum Net Asset Value, the Board may decide to proceed to the liquidation of such Sub-fund (or to merge such Sub-fund) in accordance with the terms of Section 13.5 of the General Section.

**Minimum Subscription Amount** means the minimum number of Shares or amount which a Shareholder or subscriber must subscribe for in a particular Class in a particular Sub-fund in which the Shareholder or subscriber does not hold Share(s) prior to such subscription, as set out in the relevant Special Section.

**Minimum Subsequent Subscription Amount** means the minimum number of Shares or amount which a Shareholder must subscribe for in a particular Class in a particular Sub-fund when subscribing for additional Shares of the relevant Class, as set out in the relevant Special Section.

**Money Market Instruments** means instruments normally dealt in on a money market which are liquid and have a value which can be accurately determined at any time.

**Net Asset Value** or **NAV** means the net asset value of the Company, each Sub-fund, each Class and each Share as determined in accordance with Section 12 of the General Section.

**NOK** means Norwegian Krone.

**OECD** means the Organisation for Economic Co-operation and Development.

**OECD Member State** means any of the member States of the OECD.

**Operating and Administrative Fees** means the following costs and expenses to be borne by each Class:

- fees of the Depositary and Administrative Agent;
- fees and expenses of the Company's external auditors;
- directors fees, directors and officers insurance premiums, reasonable out-of-pocket expenses incurred by the Directors;
- government charges;
- fees and expenses of the Company's legal and tax advisers in Luxembourg and abroad;
- *taxe d'abonnement*;
- fees and expenses of any other service providers or officers appointed by the Company or by the Management Company on behalf of the Company.

**OTC** means over-the-counter.

**OTC Derivative** means any financial derivative instrument dealt in over-the-counter.

**Prospectus** means this prospectus, as amended or supplemented from time to time.

**Redemption Cut-Off Time** means the deadline for the submission of redemption requests as set out in Section 8.1 of the General Section, unless otherwise specified in respect of a specific Sub-fund in the relevant Special Section.

**Redemption Fee** means the fee that may be levied in case of redemption of Shares of any Class in any Sub-fund, details of which are set out in the relevant Special Section.

**Reference Currency** means, in relation to each Sub-fund, the currency in which the Net Asset Value of such Sub-fund is calculated, as stipulated in the relevant Special Section.

**Register** means the register of Shareholders.

**Regulated Market** means a regulated market as defined in the Council Directive 2004/39/EEC dated 21 April 2004 on markets in financial instruments or any other market established in the EEA which is regulated, operates regularly and is recognised and open to the public.

**REITs** means real estate investment trusts.

**Repurchase Transaction** means a transaction governed by an agreement by which a counterparty transfers securities or guaranteed rights relating to title to securities where that guarantee is issued by a recognised exchange which holds the rights to the securities and the agreement does not allow a counterparty to transfer or pledge a particular security to more than one counterparty at a time, subject to a commitment to repurchase them, or substituted securities of the same description at a specified price on a future date specified, or to be specified, by the transferor, being a repurchase transaction for the counterparty selling the securities and a reverse repurchase transaction for the counterparty buying them.

**RESA** means the *recueil électronique des sociétés et associations*.



**Restricted Person** means any US Person and any person, determined in the sole discretion of the Board as being not entitled to subscribe or hold Shares in the Company or any Sub-fund or Class if, in the opinion of the Board, (i) such person would not comply with the eligibility criteria of a given Class or Sub-fund, (ii) a holding by such person would cause or is likely to cause the Company some pecuniary, tax or regulatory disadvantage, (iii) a holding by such person would cause or is likely to cause the Company to be in breach of the law or requirements of any country or governmental authority applicable to the Company, or (iv) such person is not a FATCA Eligible Investor or a CRS Eligible Investor.

**Retail Investor** means any investor not qualifying as an Institutional Investor.

**Safe-keeping Delegate** means any entity appointed by the Depositary, to whom Safe-keeping Services (as defined in the Depositary Agreement) have been delegated in accordance with article 34*bis* of the 2010 Act and articles 13 to 17 of the UCITS-CDR.

**Schedule** means, unless otherwise provided for, a Schedule of this Prospectus.

**Section** means, unless otherwise provided for, a section of this Prospectus.

**Securities Financing Transaction** or **SFT** means (i) a Repurchase Transaction; (ii) Securities Lending and Securities Borrowing; (iii) a Buy-sell Back Transaction or Sell-buy Back Transaction.

**SEK** means Swedish krona.

**Service Agreements** means the Depositary Agreement, the Management Company Services Agreement and any other agreement between the Company or the Management Company on account of one or more Sub-fund(s) and any other Service Provider.

**Service Providers** means the Management Company, the Investment Manager, the Investment Adviser(s) (if any), the Depositary and the Administrative Agent and any other person who provides services to the Company from time to time.

**Settlement Date** means the day on which the subscription monies will have to be received by the Administrative Agent or redemption monies paid.

**SFTR** means Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012.

**SGD** means Singapore dollar.

**Shareholder** means any registered holder of Shares.

**Shares** means all shares issued by the Company from time to time, representing the total outstanding shares.

**Special Section** means each and every supplement to this Prospectus describing the specific features of a Sub-fund. Each such supplement is to be regarded as an integral part of the Prospectus.

**Structured Products** means instruments such as, but not limited to notes, certificates or other Transferable Securities whose returns are correlated with changes in among others unleveraged underlyings such as financial indices (including indices on volatility), currencies, exchange rates, Transferable Securities or a basket of Transferable Securities.

**Sub-fund** means a separate portfolio of assets established for one or more Classes of the Company which is invested in accordance with a specific Investment Objective. The Sub-funds do not have a legal existence distinct from the Company; however each Sub-fund is liable only for the debts, liabilities and obligations attributable to it. The specifications of each Sub-fund will be described in the relevant Special Section.

**Subscription Cut-Off Time** means the deadline for the submission of subscription requests as set out in Section 6.2(a) of the General Section, unless otherwise specified in respect of a specific Sub-fund in the relevant Special Section.

**Subscription Fee** means the fee that may be levied in case of subscription of Shares of any Class in any Sub-fund, details of which are set out in the relevant Special Section.

**Supermajority Resolution** means a resolution of the Shareholders' meeting in accordance with the quorum and majority requirements set out in the 1915 Act for amendments to the Articles, i.e., a resolution passed at a meeting where holders representing half of the issued share capital are present or represented and that is passed by not less than two-thirds of the votes cast in relation to such resolution provided that if the quorum requirement is not fulfilled at the occasion of the first general meeting, a second meeting may be convened at which meeting resolutions are passed at a two third majority of the votes cast without any quorum requirement.

**Target Sub-fund** has the meaning ascribed to this term in Section 1.9.

**Territories** means the Netherlands Antilles, Aruba, Jersey, Guernsey, Isle of Man, Montserrat and the British Virgin Islands.

**Transferable Securities** means:

- shares and other securities equivalent to shares;
- bonds and other debt instruments;
- any other negotiable securities which carry the right to acquire any such transferable securities by subscription or to exchanges, with the exclusion of techniques and instruments.

**TRS** means total return swap, i.e., a derivative contract as defined in point (7) of article 2 of the SFTR in which one counterparty transfers the total economic performance, including income from interest and fees, gains and losses from price movements, and credit losses, of a reference obligation to another counterparty.

**UCI** means an undertaking for collective investment within the meaning of article 1, paragraph (2), points a) and b) of the UCITS Directive, whether situated in a EU Member State or not, provided that:

- such UCI is authorised under laws which provide that it is subject to supervision that is considered by the CSSF to be equivalent to that laid down in EU law, and that cooperation between authorities is sufficiently ensured;
- the level of guaranteed protection for Shareholders in such UCI is equivalent to that provided for shareholders in a UCITS, and in particular that the rules on asset segregation, borrowing, lending, and uncovered sales of Transferable Securities and Money Market Instruments are equivalent to the requirements of the UCITS Directive;

- the business of such UCI is reported in half-yearly and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period.

**UCITS** means an undertaking for collective investment in transferable securities under the UCITS Directive.

**UCITS-CDR** means the Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 supplementing Directive 2009/65/EC with regard to obligations of depositaries.

**UCITS Directive** means Directive 2009/65/EC.

**USD** means the Dollar of the United States of America.

**US Person** means a person that is a US person for purposes of Regulation S under the US Securities Act and CFTC Rule 4.7 or a US resident within the meaning of the Investment Company Act, which includes any natural person who is a resident of the United States, any partnership or corporation organised or incorporated under the laws of the United States, any estate of which any executor or administrator is a US person and the income of such estate is subject to United States income tax regardless of source, any trust of which any trustee is a US person and the income of such trust is subject to United States income tax regardless of source and any other US person that is a US person or US resident for purposes of Regulation S under the US Securities Act, the Investment Company Act and CFTC Rule 4.7.

**US Securities Act** means the US Securities Act of 1933, as amended.

**Valuation Date** means such date as is specified in each Special Section as of which the assets of the relevant Sub-fund (and each Class and Share) will be valued.

**VaR** means value at risk.

## PART A – GENERAL SECTION

The General Section applies to all Sub-funds of the Company. Each Sub-fund is subject to specific rules which are set forth in the Special Section.

### 1. STRUCTURE OF THE COMPANY

#### 1.1 The Company

The Company is an open-ended investment company organised under the laws of Luxembourg as a *société d'investissement à capital variable (SICAV)*, incorporated under the form of a public limited liability company (*société anonyme*) subject to part I of the 2010 Act. The Company is registered with the Luxembourg trade and companies register under number B225803. Its deed of incorporation was published in the RESA on 9 July 2018.

The Company is subject to the provisions of the 2010 Act and of the 1915 Act insofar as the 2010 Act does not derogate therefrom. The registration of the Company pursuant to the 2010 Act constitutes neither approval nor disapproval by any Luxembourg authority as to the adequacy or accuracy of this Prospectus or as to the assets held in the various Sub-funds.

The Shares are currently not listed on the Luxembourg Stock Exchange but the Board may decide that one or more Classes of a Sub-fund be listed or admitted to trading on the Luxembourg or any other stock exchange, regulated or alternative market.

There is no limit to the number of Shares which may be issued. Shares will be issued to subscribers in registered form.

Shares will have the same voting rights and will have no pre-emptive subscription rights. In the event of the liquidation of the Company, each Share is entitled to its proportionate share of the relevant Sub-fund's assets after payment of the Company's debts and expenses, taking into account the Company's rules for the allocation of assets and liabilities.

The initial subscribed capital of the Company was the equivalent in USD of EUR 30,000. The minimum share capital of the Company must at all times be the equivalent in USD of EUR 1,250,000 which amount has to be attained within six (6) months of the Company's authorisation to operate as a UCI, being provided that Shares of a Target Sub-fund held by an Investing Sub-fund will not be taken into account for the purpose of the calculation of the USD equivalent of EUR 1,250,000 minimum capital requirement. The Company's share capital is at all times equal to its Net Asset Value. The Company's share capital is automatically adjusted when additional Shares are issued or outstanding Shares are redeemed, and no special announcements or publicity are necessary in relation thereto.

#### 1.2 Shares

Any Eligible Investor may acquire Shares in the Company against payment of the subscription price as defined in Section 6.1 of the General Section.

Shares will be issued in registered form. All Shares must be fully paid up. Fractional Shares may be issued up to three (3) decimal places and will carry rights in proportion to the fraction of a Share they represent but will carry no voting rights.

The Register will be kept by the Administrative Agent on behalf of the Company, and the Register (and the Shareholders' personal data contained therein) will be available for inspection by any Shareholder. The Register will contain the name of each owner of registered Shares, his/her/its

residence or elected domicile as indicated to the Company and the number and Class held by him/her/it and the transfer of Shares and the dates of such transfers. The ownership of the Shares will be established by the entry in this Register. Thus, no certificates will be issued and Shareholders will only receive a confirmation that their names have been recorded in the Register.

Each registered Shareholder will provide the Company with an address, fax number and email address to which all notices and announcements may be sent. Such address will also be entered into the Register. Shareholders may, at any time, change their address as entered into the Register by way of a written notification sent to the Company.

The Shares confer no preferential subscription rights at the time of the issue of new Shares.

Within the same Sub-fund, all Shares have equal rights as regards voting rights in all general meetings of Shareholders and in all meetings of the Sub-fund concerned.

The Special Sections indicate, for each Sub-fund, which Classes are available and their characteristics.

For each Sub-fund, the Board may, in respect of Shares in one or several Class(es) if any, decide to close subscriptions temporarily or definitively.

### **1.3 Umbrella structure - Sub-funds and Classes**

The Company has an umbrella structure consisting of one or several Sub-funds. A separate portfolio of assets is maintained for each Sub-fund and is invested in accordance with the Investment Objective and Investment Policy applicable to that Sub-fund. The Investment Objective, Investment Policy, as well as the other specific features of each Sub-fund (such as risk profile and duration (including limited duration)) are set forth in the relevant Special Section.

The Company is one single legal entity. However, the rights of the Shareholders and creditors relating to a Sub-fund or arising from the setting-up, operation and liquidation of a Sub-fund are limited to the assets of that Sub-fund. The assets of a Sub-fund are exclusively dedicated to the satisfaction of the rights of the Shareholders relating to that Sub-fund and the rights of those creditors whose claims have arisen in connection with the setting-up, operation and liquidation of that Sub-fund.

The Company may be comprised of one or more feeder Sub-funds, with each such feeder Sub-fund being authorised to invest up to 100% of its assets in units of another eligible master UCITS (or sub-fund thereof) under the conditions set out by applicable law, as may be set forth in the relevant Special Section.

Within a Sub-fund, the Board may decide to issue one or more Classes the assets of which will be commonly invested but subject to different fee structures, distribution, marketing targets, currency or other specific features. A separate Net Asset Value per Share, which may differ as a consequence of these variable factors, will be calculated for each Class. The Board may, at any time, create additional Classes whose features may differ from the existing Classes and additional Sub-funds whose Investment Objectives may differ from those of the Sub-funds then existing. Upon creation of new Sub-funds or Classes, the Prospectus will be updated, if necessary, or supplemented by a new Special Section. Classes of certain Sub-funds, indicated in the Special Sections, may, on the decision of the Board, be subdivided into several Classes with a different Alternative Currency. **The attention of investors is drawn to the fact that, depending on whether foreign exchange hedging instruments are used in respect of each Class, an investor may be exposed to the risk that the Net Asset Value of one Class denominated in a given Alternative Currency may fluctuate in a way that compares unfavourably to that of another Class denominated in another Alternative Currency or in the Reference Currency. All expenses associated with the**

**financial instruments, if any, used for the purpose of hedging foreign exchange risks related to the Class concerned will be allocated to that Class.** To the extent permitted by the Prospectus, and in relation to Classes that are denominated in an Alternative Currency different from the Reference Currency, the Company may employ techniques and instruments intended to provide protection, so far as possible, against movements of the currency in which the relevant Sub-Class is denominated. If such techniques and instruments are employed, they will be employed systematically in relation to the relevant Classes which will include “H” in their denomination.

Investors should note however that certain Sub-funds or Classes may not be available to all investors. The Company retains the right to offer only one or more Classes for purchase by investors in any particular jurisdiction in order to conform to local law, customs or business practice or for fiscal or any other reason. The Company may further reserve one or more Sub-funds or Classes to Institutional Investors only. Investors are invited to refer to Section 5 below and the relevant Special Section.

#### **1.4 Term of the Company – Term of the Sub-funds**

The Company will exist for an indefinite period. However, the Company will be automatically put into liquidation upon the termination of a Sub-fund if no further Sub-fund is active at that time.

The Sub-funds may be created with a limited duration in which case Shares for which no redemption request has been submitted in respect of the maturity date as set out in the relevant Special Section will be compulsorily redeemed at the Net Asset Value per Share calculated as at such maturity date.

## **2. MANAGEMENT, ADMINISTRATION AND DISTRIBUTION**

### **2.1 The Board**

The Company will be managed by the Board. The Board is vested with the broadest powers to perform all acts of administration and disposition in the Company's interests. All powers not expressly reserved by law to the general meeting of Shareholders fall within the competence of the Board.

The Board must be composed at all times of at least three (3) Directors (including the chairman of the Board).

Any Director may be removed with or without cause or be replaced at any time by resolution adopted by the general meeting of Shareholders.

The Company may indemnify any Director or officer, and his/her heirs, executors and administrators against expenses reasonably incurred by him or her in connection with any action, suit proceeding to which he or she may be made a party by reason of his or her being or having been a director or officer of the Company or, at its request, of any other company of which the Company is a shareholder or creditor and from which he or she is not entitled to be indemnified, except in relation to matters as which he or she will be finally adjudged in such action, suit or proceeding to be liable for gross negligence or wilful misconduct; in the event of a settlement, indemnification will be provided only in connection with such matters covered by the settlement as to which the Company is advised by counsel that the person to be indemnified did not commit such a breach of duty. The foregoing right of indemnification will not exclude other rights to which he or she may be entitled.

The Board will appoint a chairman. The chairman will have a casting vote in case of a tied vote.

## 2.2 Management Company

### *Corporate information*

The Board has appointed BlueOrchard Asset Management (Luxembourg) S.A. (the **Management Company**) as the management company of the Company to serve as its designated management company within the meaning of part I of the 2010 Act pursuant to the Management Company Agreement.

BlueOrchard Asset Management (Luxembourg) S.A. is a public limited company incorporated under the laws of Luxembourg incorporated for an unlimited duration on 26 July 2012. It is registered on the official list of Luxembourg management companies governed by Chapter 15 of the Law of 2010. At the date of this Prospectus, the authorised capital of the Management Company which is fully paid up is EUR 125,000 and the own funds of the Management Company comply with the requirements of the 2010 Act and of the Circular 12/546.

### *Duties*

The Management Company will provide, subject to the overall control of the Board and without limitation, (i) investment management services, (ii) administrative services and (iii) marketing, distribution and sales services to the Company as listed in annex II of the 2010 Act. The rights and duties of the Management Company are further laid down in articles 107 et seq. of the 2010 Act. The Management Company must at all times act honestly and fairly in conducting its activities in the best interest of the Shareholders and in conformity with the 2010 Act, the Prospectus and the Articles.

The Management Company is vested with the day-to-day administration of the Company. In fulfilling its duties as set forth by the 2010 Act and the Management Company Agreement, the Management Company is authorised, for the purpose of more efficient conduct of its business, to delegate, under its responsibility and control, and with the prior consent of the Company and subject to the approval of the CSSF, part or all of its functions and duties to any third party, which, having regard to the nature of the functions and duties to be delegated, must be qualified and capable of undertaking the duties in question. The Management Company will remain liable to the Company in respect of all matters so delegated.

The Management Company will require any such agent to which it intends to delegate its duties to comply with the provisions of the Prospectus, the Articles and the relevant provisions of the Management Company Agreement.

In relation to any delegated duty, the Management Company will implement appropriate control mechanisms and procedures, including risk management controls, and regular reporting processes in order to ensure an effective supervision of the third parties to whom functions and duties have been delegated and that the services provided by such third party service providers are in compliance with the Articles, the Prospectus and the agreement entered into with the relevant third party service provider.

The Management Company will be careful and diligent in the selection and monitoring of the third parties to whom functions and duties may be delegated and ensure that the relevant third parties have sufficient experience and knowledge as well as the necessary authorisations required to carry out the functions delegated to them.

The following functions may be delegated by the Management Company to third parties: investment management of certain Sub-funds, administration, marketing and distribution, as further set forth in this Prospectus and in the Special Sections.

The Management Company has established and applies a remuneration policy and practices that are consistent with, and promote, sound and effective risk management and that neither encourage risk taking which is inconsistent with the risk profiles, rules, this Prospectus or the Articles nor impair compliance with the Management Company's obligation to act in the best interest of the Company (the **Remuneration Policy**).

The Remuneration Policy includes fixed and variable components of salaries and applies to those categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that falls within the remuneration bracket of senior management and risk takers whose professional activities have a material impact on the risk profiles of the Management Company, the Company or the Sub-funds.

The Remuneration Policy is in line with the business strategy, objectives, values and interests of the Management Company, the Company and the Shareholders and includes measures to avoid conflicts of interest.

In particular, the Remuneration Policy will ensure that:

- (a) the staff engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independently of the performance of the business areas that they control;
- (b) the assessment of performance is set in a multi-year framework appropriate to the holding period recommended to the investors of the Company in order to ensure that the assessment process is based on the longer-term performance of the Company and its investment risks and that the actual payment of performance-based components of remuneration is spread over the same period;
- (c) the fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component;
- (d) the measurement of performance used to calculate variable remuneration components or pools of variable remuneration components includes a comprehensive adjustment mechanism to integrate all relevant types of current and future risks;
- (e) if at any point of time, the management of the Company were to account for 50% or more of the total portfolio managed by the Management Company, at least 50%, of any variable remuneration component will have to consist of Shares, equivalent ownership interests, or share-linked instruments or equivalent non-cash instruments with equally effective incentives as any of the instruments referred to in this item (e); and
- (f) a substantial portion, and in any event at least 40%, of the variable remuneration component, is deferred over a period which is appropriate in view of the holding period recommended to the Shareholders and is correctly aligned with the nature of the risks of the Company.

Details of the Remuneration Policy, including the persons in charge of determining the fixed and variable remunerations of the staff, a description of the key remuneration elements and an overview of how remuneration is determined is available on the website <http://www.blueorchard.com/policies>. A paper copy of the summarised Remuneration Policy is available free of charge to the Shareholders upon request.

The Management Company Agreement has been entered into for an undetermined period of time and may be terminated by either party upon serving to the other a three months' prior written notice.



### *Conducting persons*

The conducting persons of the Management Company are responsible for the conduct of the day-to-day business of the Management Company. As at the date of this Prospectus, the conducting persons of the Management Company are Christophe Tabarovsky and Roland Schilpp.

## **2.3 Investment Manager**

The Management Company has appointed BlueOrchard Finance Ltd., a company incorporated under the laws of Switzerland, with registered address at Seefeldstrasse 231, CH-8008 Zurich, Switzerland as investment manager of the Sub-funds to carry out investment management services and to be responsible for the Sub-funds' investment activities within the parameters and restrictions set out in this Prospectus and the relevant Special Section.

The Investment Manager will provide or procure each such Sub-fund investment advisory and investment management services, pursuant to the provisions of the relevant Investment Management Agreement and in accordance with the investment policy, objective and restrictions of the relevant Sub-fund as set out in the Articles, the Prospectus and the relevant Special Section and with the aim to achieve the Sub-fund's Investment Objective.

Any such Investment Manager may be assisted by one or more Investment Advisers or delegate its functions, with the approval of the CSSF, the Management Company and the Board, to one or more sub-managers. In case sub-managers/advisers are appointed, the relevant Special Section will be updated.

Based on article 110(1)(g) of the 2010 Act, the Management Company may (i) give any further instructions to, and (ii) terminate the mandate of, any Investment Manager which is appointed in accordance with the above paragraph, at any time when this is in the interests of the Shareholders.

Unless otherwise stated in the relevant Special Section, the Investment Manager is responsible for, among other matters, identifying and acquiring the investments of the Company. The Investment Manager is granted full power and authority and all rights necessary to enable it to manage the investments of the relevant Sub-funds and provide other investment management services to assist the Company and the Management Company to achieve the Investment Objectives and Policy set out in this Prospectus and any specific Investment Objective and Policy set out in the relevant Special Section. Consequently, the responsibility for making decisions to buy, sell or hold a particular security or asset rests with the Board, the Management Company, the Investment Manager and, as the case may be, the relevant sub-investment manager appointed by them, subject always to the overall policies, direction, control and responsibility of the Board and the Management Company.

The Management Company may also decide to appoint multiple Investment Managers in view of the management of one Sub-fund's assets and allocate a percentage of the relevant Sub-fund's net assets related to a clearly distinct strategy of these Investment Managers. Any use of multiple Investment Managers will be disclosed in the relevant Special Section along with a description of their asset allocation.

## **2.4 Depositary**

The Company has, under the terms of the Depositary Agreement, engaged Citibank Europe plc, Luxembourg Branch (the "Depositary") as depositary of the Company's assets. The Depositary shall also be responsible for the oversight of the Company to the extent required by and in accordance with applicable law, rules and regulations. The Depositary shall exercise the supervisory duties in accordance with applicable law, rules and regulations as well as the Depositary Agreement.

The Depositary is a public limited company domiciled in Ireland with registered number 132781 whose registered office is at 1 North Wall Quay, Dublin 1. The Depositary conducts its principal business in Luxembourg from its office at 31, Z.A.I. Bourmicht, L-8070 Bertrange, Grand Duchy of Luxembourg. Its Luxembourg branch was established on 20 August 2015 and is registered with the Registre de Commerce et des Sociétés of Luxembourg under number B 0200204. Its Luxembourg branch is authorised to provide such services in accordance with the Luxembourg law of 5 April 1993 on the financial sector, as amended, and specialises in fund custody and administration services. The Depositary is authorised by the Central Bank of Ireland but in respect of its services as depositary in Luxembourg is regulated by the CSSF.

The key duties of the Depositary are to perform on behalf of the Company, the depositary duties referred to in the 2010 Act essentially consisting of:

- (i) monitoring and verifying the Company's cash flows;
- (ii) safekeeping of the Company's assets, including inter alia holding in custody financial instruments that may be held in custody and verification of ownership of other assets;
- (iii) ensuring that the sale, issue, repurchase, redemption and cancellation of Shares are carried out in accordance with the Articles and applicable Luxembourg law, rules and regulations;
- (iv) ensuring that the value of the Shares is calculated in accordance with the Articles and applicable Luxembourg law, rules and regulations;
- (v) ensuring that in transactions involving the Company's assets, any consideration is remitted to the Company within the usual time limits;
- (vi) ensuring that the Company's income is applied in accordance with the Articles and applicable Luxembourg law, rules and regulations; and
- (vii) carrying out instructions from the Company unless they conflict with the Articles or applicable Luxembourg law, rules and regulations.

In addition, as paying agent, the Depositary is responsible for the collection of subscription monies of Shareholders, payment of redemption proceeds and payment of dividends (if any) to the Shareholders.

Under the terms of the Depositary Agreement and in accordance with the 2010 Act, the Depositary has power to delegate certain of its depositary functions. A list of delegates with whom the Depositary has entered into written agreements delegating the performance of its safekeeping function in respect of certain of the Company's assets as well as any sub-delegates appointed is available at [www.citigroup.com/citi/about/countrypresence/luxembourg.html](http://www.citigroup.com/citi/about/countrypresence/luxembourg.html) under "UCITS V List of Agent Banks". Such list may be updated, free of charge and upon request, from the Depositary.

The Depositary must exercise due skill, care and diligence in the selection, continued appointment and ongoing monitoring of a third party as a safekeeping agent so as to ensure that the third party has and maintains the expertise, competence and standing appropriate to discharge the responsibilities concerned; maintain an appropriate level of supervision over the safekeeping agent; and make appropriate inquiries from time to time to confirm that the obligations of the agent continue to be competently discharged.

In certain jurisdictions, where the local law requires that financial instruments are held by a local entity and no local entity satisfies the delegation requirements to which the Depositary is subject, the Depositary may delegate its functions to a local entity for as long as there are no local entities which satisfy the requirements. The Depositary will only do so where the Company has instructed it to do so and Shareholders are notified of such delegation prior to their investment, the reasons for it and the risks involved in the delegation. The liability of the Depositary will not be affected by the fact that it has delegated to a third party certain of its safekeeping in respect of the Company's assets. In particular, the Depositary is liable to the Company for the loss by the Depositary or a third party to whom the custody of financial instruments that can be held in custody has been delegated. In the case of such a loss of a financial instrument held in custody, the Depositary shall return a financial instrument of identical type or the corresponding amount to the Company or the Management

Company acting on behalf of the Company without undue delay. The Depositary is not liable if it can prove that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary. The Depositary is also liable to the Company for direct damages resulting from breach of the Depositary Agreement by reason of negligence, intentional failure or fraud of the Depositary in performing services as set out in the Depositary Agreement. The Company has agreed that its investors shall not have any direct rights against or liabilities from the Depositary under the Depositary Agreement. The Depositary Agreement contains indemnities in favour of the Depositary excluding matters arising by reason of its failure to satisfy its obligation of due skill, care and diligence as provided in the Depositary Agreement or the failure of any agent of the Depositary to satisfy the same standard of care or any loss for which the Depositary is liable under the UCITS Directive as implemented into Luxembourg law by the 2010 Act, Commission Delegated Regulation (EU) 2016/438 supplementing the UCITS Directive and any applicable rules, requirements, guidance or practices stated by the CSSF to be applicable to the Company, the Management Company or the Depositary, as appropriate, from time to time, or any of them, as the case may be.

Without prejudice to the paragraphs below, from time to time actual or potential conflicts may arise between the Depositary and its delegates or sub-delegates, for example where an appointed delegate or sub-delegate is an affiliated group company which receives remuneration for another custodial service it provides to the Company. Included in the Depositary's conflict of interest policy are procedures to identify, manage and monitor on an on-going basis any actual or potential conflict of interest involving its delegates or sub-delegates. Actual or potential conflicts of interest may also arise between the Company, the Shareholders or the Management Company on the one hand and the Depositary on the other hand. For example, such actual or potential conflict may arise because the Depositary is part of a legal entity or is related to a legal entity which provides other products or services to the Company or the Management Company. In particular, depositary and administration services are provided by the same legal entity, Citibank Europe plc, Luxembourg Branch. In practice, however, the depositary and administration lines of business are functionally and hierarchically separated and operate on an arm's length basis. In addition, the Depositary may have a financial or business interest in the provision of such products or services, or receive remuneration for related products or services provided to the Company, or may have other clients whose interests may conflict with those of the Company, the Shareholders or the Management Company.

The Depositary and any of its affiliates may effect, and make a profit from, transactions in which the Depositary (or its affiliates, or another client of the Depositary or its affiliates) has (directly or indirectly) a material interest or a relationship of any description and which involves or may involve a potential conflict with the Depositary's duty to the Company. This includes circumstances in which the Depositary or any of its affiliates or connected persons: acts as market maker in the investments of the Company; provides broking services to the Company and/or to other funds or companies; acts as financial adviser, banker, derivatives counterparty or otherwise provides services to the issuer of the investments of the Company; acts in the same transaction as agent for more than one client; has a material interest in the issue of the investments of the Company; or earns profits from or has a financial or business interest in any of these activities. The group-wide conflict of interest policy provides that Citi manages conflicts through various policies, procedures and/or processes, which may, depending upon the conflict, include prevention or avoidance of conflicts, or appropriate disclosures, establishing information barriers, restructuring transactions, products or processes, and/or changing compensation incentives.

The Depositary has a conflict of interest policy in place to identify, manage and monitor on an on-going basis any actual or potential conflict of interest. The Depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks. The system of internal controls, the different reporting lines, the allocation of tasks and the management reporting allow potential conflicts of interest and the Depositary issues to be properly identified, managed and monitored. Up-to-date information on delegations and sub-delegations and related conflicts of interest may be requested from the Depositary by Shareholders.

The Company and the Depositary may terminate the Depositary Agreement at any time by giving ninety (90) days' notice in writing. The Company may, however, dismiss the Depositary only if a new depositary is appointed within two months to take over the functions and responsibilities of the Depositary. After its dismissal, the Depositary must continue to carry out its functions and responsibilities until such time as the entire assets of the Sub-Funds have been transferred to the new depositary.

## 2.5 Administrative agent

Citibank Europe Plc, Luxembourg Branch has been appointed as delegated administrative agent and registrar and transfer agent pursuant to a central administration agent agreement entered into for an unlimited period of time between the Company, the Management Company and the Administrative Agent with effect as of 1 July 2019 (the **Administration Agreement**). The Administrative Agent also performs domiciliary and corporate agent services to the Company pursuant to the Administration Agreement.

In its capacity as:

- administration agent, the Administrative Agent will have as its principal function among other things the calculation of the Net Asset Value, the maintenance of the Company's accounting records and the preparation of the financial reports required by this Prospectus and Luxembourg Law;
- registrar and transfer agent, the Administration Agent will be responsible for the safekeeping and maintaining of the Register and for processing issues, repurchases and transfers of Shares in accordance with this Prospectus and the Articles. The Administrative Agent will implement the policy of the Board in verifying that Investors are Eligible Investors.

The fees and costs of the Administrative Agent for the above functions are met by the Company out of the Operating and Administrative Fees and are conform to common practice in Luxembourg.

## 2.6 Distributors and nominees

The Company and the Management Company may enter into distribution agreement(s) to appoint Distributor(s) to distribute Shares of different Sub-funds from time to time.

Some distributors may offer to enter into arrangements with investors to provide nominee services to those investors in relation to the Shares or arrange for third party nominee service providers to provide such nominee services to the underlying investors.

All distributors that are entitled to receive subscription monies and/or subscription or redemption orders on behalf of the Company and nominee service providers must be (i) professionals of the financial sector of a FATF member country which are subject under their local regulations to anti money laundering rules equivalent to those required by Luxembourg law or (ii) professionals established in a non-FATF member State provided they are a subsidiary of a professional of the financial sector of a FATF member State and they are obliged to follow anti money laundering and terrorism financing rules equivalent to those required by Luxembourg law because of internal group policies. Whilst and to the extent that such arrangements subsist, underlying investors will not appear in the Register and will have no direct right of recourse against the Company.

The Management Company and/or any distributors or nominee service providers holding their Shares through Euroclear or Clearstream or any other relevant clearing system as an accountholder also will not be recognised as the registered Shareholder in the Register. The relevant nominee of Euroclear or Clearstream or the other relevant clearing system will be recognised as the registered

Shareholder in the Register in such event, and in turn would hold the Shares for the benefit of the relevant accountholders in accordance with the relevant arrangements.

The terms and conditions of any (sub-)distribution agreement(s) with arrangements to provide nominee services will have to allow that an underlying investor who (i) has invested in the Company through a nominee and (ii) is an Eligible Investor, may at any time, require the transfer in his/her/its name of the Shares subscribed through the nominee. After this transfer, the investor will receive evidence of his shareholding at the confirmation of the transfer from the nominee.

Investors may subscribe directly to the Company without having to go through the Management Company or any distributors or nominee.

The Management Company and any Investment Manager, the Investment Adviser(s) may enter into retrocession fee arrangements with any distributor in relation to their distribution services. Any such retrocession fee will be paid by the Management Company, the Investment Manager and the Investment Adviser(s) out of their own remuneration.

## **2.7 Auditor**

PricewaterhouseCoopers, *société coopérative* has been appointed as the Company's approved statutory auditor and will fulfil all duties prescribed by the 2010 Act.

## **3. INVESTMENT OBJECTIVE, POLICY AND RESTRICTIONS**

### **3.1 Investment Objective and Investment Policy**

The Investment Objective and Investment Policy of each Sub-fund are as set out in respect of that Sub-fund in the relevant Special Section.

### **3.2 Investment Restrictions**

The Company and the Sub-funds are subject to the Investment Restrictions set forth in Schedule 1.

### **3.3 Use of financial derivative instruments**

Certain Sub-funds may be authorised to use financial derivative instruments either for hedging or efficient portfolio management purposes or as part of their investment strategies as described in the relevant Special Sections. Unless stated otherwise in a Special Section, a Sub-fund which uses financial derivative instruments will do so for hedging and/or efficient portfolio management purposes only. Sub-funds using derivatives will do so within the limits specified in Schedule 1. **Investors should refer to the risk factors in Schedule 2 for special risk considerations applicable to financial derivative instruments. The Sub-funds will only enter into OTC transactions with first class financial institutions specialised in those transactions.**

### **3.4 Use of EPM Techniques**

Certain Sub-funds may be authorised to employ EPM Techniques within the limits specified in Schedule 1. **Investors should refer to the risk factors in Schedule 2 for special risk considerations applicable to EPM Techniques.**

## **4. CO-MANAGEMENT**

Subject to the general provisions of the Articles, the Board may choose to co-manage the assets of certain Sub-funds on a pooled basis for the purposes of efficient portfolio management. In these cases, assets of the Sub-funds participating in the co-management process will be managed

according to a common Investment Objective and will be referred to as a "pool". These pools, however, are used solely for internal management efficiency purposes or to reduce management costs.

The pools do not constitute separate legal entities and are not directly accessible to Shareholders. Cash, or other assets, may be allocated from one or more Sub-funds into one or more of the pools established by the Company. Further allocations may be made, from time to time, thereafter. Transfers from the pool(s) back to the Sub-funds may only be made up to the amount of that Sub-fund's participation in the pool(s).

Pooling may be implemented either between several Sub-funds ("intra-pooling") or between two or more investment funds ("extra-pooling").

The proportion of any Sub-fund's participation in a particular pool will be measured by reference to its initial allocation of cash and/or other assets to such a pool and, on an ongoing basis, according to adjustments made for further allocations or withdrawals.

The entitlement of each Sub-fund participating in the pool, to the co-managed assets applies proportionally to each and every single asset of such pool.

Where the Company incurs a liability relating to any asset of a particular pool or to any action taken in connection with an asset of a particular pool, such liability is allocated to the relevant pool. Assets or liabilities of the Company which cannot be attributed to a particular pool, are allocated to the Sub-fund they belong or relate to. Assets or expenses which are not directly attributable to a particular Sub-fund are allocated among the various Sub-funds pro rata, in proportion to the Net Asset Value of each Sub-fund.

Upon dissolution of the pool, the pool's assets will be allocated to the Sub-fund(s) in proportion to its/their participation in the pool.

Dividends, interest, and other distributions of an income nature earned in respect of the assets of a particular pool will be immediately credited to the Sub-funds in proportion to its respective participation in the pool at the time such income is recorded.

Expenses directly attributable to a particular pool will be recorded as a charge to that pool and, where applicable, will be allocated to the Sub-funds in proportion to their respective participation in the pool at the time such expense is incurred. Expenses, that are not attributable to a particular pool, will be charged to the relevant Sub-fund(s).

In the books and accounts of the Company the assets and liabilities of a Sub-fund, whether participating or not in a pool, will, at all times, be identified or identifiable as an asset or liability of the Sub-fund concerned including, as the case may be, between two accounting periods a proportionate entitlement of a Sub-fund to a given asset. Accordingly such assets can, at any time, be segregated. On the Depositary's records for the Sub-fund such assets and liabilities will also be identified as a given Sub-fund's assets and liabilities and, accordingly, segregated on the Depositary's books.

## **5. DESCRIPTION OF THE SHARES AND CLASSES**

5.1 In respect of each Sub-fund, the Board or the Management Company will be able to launch the following Classes with the following features:

**Class BO:** Share class reserved for the UCIs managed by the Management Company

**Class D; P; J and G classes:** These are classes that may be suitable for and are eligible for distribution to both retail and institutional investors on a direct basis or through the use of

appropriate intermediaries, as relevant, including but not necessarily limited to distribution platforms and independent advisers.

**Class I and class S:** Eligible for institutional investors

**Class H:** investors admitted upon invitation by the Board of Directors of the fund

Class	Class BO	Class P	Class D	Class I	Class S	Class H	Class J	Class G
Currency	Reference currency	Reference Currency and all Alternative Currencies*						
Distribution policy	Distribution and accumulation**							
Initial subscription price	100 in the Reference Currency or in the relevant Alternative Currency, excepting for SEK and NOK JPY where the initial subscription price is 1,000 and for JPY where the initial subscription price is 10,000							
Minimum subscription amount	1,000 in the Reference Currency or the relevant Alternative Currency	1,000 in the Reference Currency or the relevant Alternative Currency	100,000 in the Reference Currency or the relevant Alternative Currency	1,000,000 in the Reference Currency or the relevant Alternative Currency	10,000,000 in the Reference Currency or the relevant Alternative Currency	10,000,000 in the Reference Currency or the relevant Alternative Currency	1,000,000 in the Reference Currency or the relevant Alternative Currency	10,000,000 in the Reference Currency or the relevant Alternative Currency
Minimum subsequent subscription amount	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

\* *Hedged Class:* any Classes having an Alternative Currency different from the Reference Currency and which are currency hedged will include the reference "H" in their denomination. Please also refer to Section 1.3 above of the General Section.

\*\* *Distribution Classes:* In case a Class is a distribution Class distributive, the denomination will include the reference "Dis" in their denomination.

- 5.1 All Sub-funds may issue classes of Shares in the Reference Currency or in an Alternative Currency.
- 5.2 The Board or the Management Company has the option of adding new Alternative Currencies to existing Classes and, with the previous approval of the CSSF, new Classes to existing Sub-funds. Such decision will not be published but the website [www.blueorchard.com](http://www.blueorchard.com) will be updated accordingly.
- 5.3 In respect of Classes reserved to Institutional Investors, a reduced subscription tax rate of 0.01% p.a. on net assets applies.

## 6. SUBSCRIPTION FOR SHARES

### 6.1 Initial Subscription Period/Date and Ongoing Subscriptions

During the Initial Subscription Period or on the Initial Subscription Date or on the Class Launch Date, the Company is offering the Shares under the terms and conditions as set forth in the relevant Special Section. The Company may offer Shares in one or several Sub-funds or in one or more

Classes in each Sub-fund. If so provided for in a Special Section, the Board may extend the Initial Subscription Period and/or postpone the Launch Date subject to the terms of the relevant Special Section.

After the Initial Subscription Period, the Initial Subscription Date or the Class Launch Date, the Company may offer Shares of each existing Class in each existing Sub-fund on any day that is a Valuation Date, as stipulated in the relevant Special Section. The Company may decide that for a particular Class or Sub-fund no further Shares will be issued after the Initial Subscription Period or Initial Subscription Date (as will be set forth in the relevant Special Section). However, the Board reserves the right to authorise at any time and without notice the issue and sale of Shares for Classes or Sub-funds that were previously closed for further subscriptions. Such decision will be made by the Board with due regard to the interest of the existing Shareholders in the relevant Class or Sub-fund.

The Board may in its discretion decide to cancel the offering of a Sub-fund. The Board may also decide to cancel the offering of a new Class. In such case, investors having made an application for subscription will be duly informed and any subscription monies already paid will be returned. For the avoidance of doubt, no interest will be payable on such amount prior to their return to the relevant investors.

Shareholders or prospective investors may subscribe for a Class in a Sub-fund at a subscription price per Share equal to:

- (a) the Initial Subscription Price where the subscription relates to the Initial Subscription Period, the Initial Subscription Date or the Class Launch Date; or
- (b) the Net Asset Value per Share, as may be adjusted in accordance with Section 9, as of the Valuation Date on which the subscription is effected where the subscription relates to a subsequent offering (other than the Initial Subscription Period, the Initial Subscription Date or the Class Launch Date) of Shares of an existing Class in an existing Sub-fund.

A Subscription Fee of up to 3% of the Net Asset Value per Share of the relevant class of the relevant Sub-fund may be added to the subscription price to be paid by the investor. The applicable Subscription Fee will be stipulated in the relevant Special Section. This fee will be payable to the Company, the Management Company or the Distributor, unless otherwise specified in respect of a Sub-fund in the relevant Special Section. This issue price will also be increased to cover any duties, taxes and stamp duties which may have to be paid.

Subscriptions will be accepted in amounts and number of Shares.

With regard to the Initial Subscription Period or Initial Subscription Date, Shares will be issued on the Initial Subscription Date or the first Business Day following the end of the Initial Subscription Period. With regards to the Class Launch Date, Shares will be issued on the Class Launch Date.

## **6.2 Subscription procedure**

Investors subscribing for Shares for the first time should complete a subscription form and send it by post directly to the Administrative Agent. Subscription forms may also be accepted by facsimile transmission or other means approved by the Administrative Agent. Subscription forms from non-Financial Action Task Force residents will only be accepted once the original signed subscription form and other applicable identification documents have been received and approved by the Administrative Agent.

Subsequent subscription for Shares does not require completion of a second application form. However, investors shall provide written instructions as agreed with the Administrative Agent to



ensure smooth processing of subsequent subscription. Instructions may also be made by letter, facsimile transmission, in each case duly signed, or such other means approved by the Administrative Agent.

Different subscription procedures may apply if applications for Shares are made through Distributors.

The Company draws the investors' attention to the fact that any investor will only be able to fully exercise his/her/its investor rights directly against the Company, in particular the right to participate in general meetings of Shareholders, if the investor is registered himself/herself/itself and in his/her/its own name in the Register. In cases where an investor invests in the Company through an intermediary investing into the Company in his/her/its own name but on behalf of the investor, it may not always be possible for the investor to exercise certain shareholder rights directly against the Company. Investors are advised to take advice on their rights.

All applications to subscribe for Shares will be dealt with on an unknown Net Asset Value basis before the determination of the Net Asset Value per Share for that Valuation Date.

Subscriptions may be made only by investors who are Eligible Investors by:

- (a) submitting a written subscription request by fax, swift or any other transmission method allowed by the Administrative Agent to the Administrative Agent or Distributor(s) to be received by the Administrative Agent by such time as set out in the relevant special section (the **Subscription Cut-Off Time**). Subscription orders for Shares received by the Administrative Agent in respect of a Valuation Date prior to the relevant Subscription Cut-Off Time, will be processed on the first Calculation Date following such Valuation Date on the basis of the Net Asset Value per Share calculated on such Calculation Date. Any applications received after the Subscription Cut-Off Time in respect of the relevant Valuation Date will be deferred to the next Valuation Date and will be dealt with on the basis of the Net Asset Value per Share calculated on the Calculation Date immediately following such next Valuation Date;
- (b) delivering to the account of the Depositary the full amount of the subscription price (plus any Subscription Fee) of the Shares being subscribed for pursuant to the subscription request within such time after the relevant Valuation Date as set out in the relevant Special Section.

If the Depositary does not receive the funds in time the investor will be liable for the costs of late or non-payment in which the case the Board will have the power to redeem all or part of the investor's holding of Shares in the Company in order to meet such costs. In circumstances where it is not practical or feasible to recoup a loss from an applicant for Shares, any losses incurred by the Company due to late or non-payment of the subscription proceeds in respect of subscription applications received may be borne by the relevant Sub-fund.

Subscribers for Shares must make payment in the Reference Currency of the relevant Sub-fund or the Alternative Currency of the relevant Class, as appropriate.

Subscribers for Shares are to indicate the allocation of the subscription monies among one or more of the Sub-funds and/or Classes offered by the Company. Subscription requests are irrevocable, unless in the period during which the calculation of the Net Asset Value is suspended in accordance with Section 12.2 of the General Section.

In the event that the subscription order is incomplete (i.e., all requested papers are not received by the Administrative Agent or a Distributor by the relevant deadline set out above) the subscription order will be rejected and a new subscription order will have to be submitted.

The applicable Minimum Subscription Amount and Minimum Subsequent Subscription Amount may be waived or varied on a case-by-case basis, by the Company.

Each of the Administrative Agent and the Company in its absolute discretion reserves the right to reject any application in whole or in part. In the event that the Company or the Management Company decides to reject any application to subscribe for Shares the monies transferred by a relevant applicant will be returned to the prospective investor without undue delay (unless otherwise provided for by law or regulations).

Each of Administrative Agent and the Company may further, at its discretion, decides whether to accept or not applications with instructions for subscription to be effected at a date later than the date on which such application is made.

### **6.3 Ownership Restrictions**

A person who is a Restricted Person may not invest in the Company. In addition, each applicant for Shares must certify that it is either (a) not a US Person or (b) a "qualified institutional buyer" within the meaning of Rule 144A under the US Securities Act and a "qualified purchaser" within the meaning of Section 2(a)(51) of the Investment Company Act. The Company may, in its sole discretion, decline to accept an application to subscribe for Shares from any prospective subscriber, including any Restricted Person or any person failing to make the certification set forth in (a) or (b) above. Shares may not be transferred to or owned by any Restricted Person. The Shares are subject to restrictions on transferability to a US Person and may not be transferred or re-sold except pursuant to an exemption from registration under the US Securities Act or an effective registration statement under the US Securities Act. In the absence of an exemption or registration, any resale or transfer of any of the Shares in the United States or to US Persons may constitute a violation of US law (See "Important Information – Selling Restrictions"). It is the responsibility of the Board to verify that Shares are not transferred in breach of the above. The Company reserves the right to redeem any Shares which are or become owned, directly or indirectly, by a Restricted Person or (a) in the case of Regulation S Shares, are or become owned, directly or indirectly, by a US Person or (b) in the case of 144 A Securities, are or become owned, directly or indirectly, by a US Person who is not a "qualified institutional buyer" within the meaning of Rule 144A under the US Securities Act and a "qualified purchaser" within the meaning of Section 2(a)(51) of the Investment Company Act in accordance with the Articles. Any prospective investor will only be issued Shares for Institutional Investor if such person provides a representation that it qualifies as an Institutional Investor pursuant to Luxembourg law.

### **6.4 Subscription in kind**

At the absolute discretion of the Board, Shares may be issued against contributions of Transferable Securities or other eligible assets to the Sub-funds provided that these assets are Eligible Investments and the contributions comply with the investment policies and restrictions laid out in the Prospectus and the relevant Special Sections and have a value equal to the issue price of the Shares concerned. The assets contributed to the Sub-fund, as described above, will be valued separately in a special report of the Auditor. These contributions in kind of assets are not subject to brokerage costs. The Board will only have recourse to this possibility (i) at the request of the relevant investor and (ii) if the transfer does not negatively affect current Shareholders. All costs related to a contribution in kind will be paid for by the subscriber. Should the Company not receive good title over the assets contributed, this may result in the Company bringing action against the defaulting investor or his/her financial intermediary or deducting any costs or losses incurred by the Company or Administrative Agent against any existing holding of the investor in the Company.

## 6.5 Institutional Investors

The sale of Shares of certain Sub-funds or Classes may be restricted to Institutional Investors and the Company will not issue or give effect to any transfer of Shares of such Sub-funds or Classes to any investor who may not be considered as an Institutional Investor. The Company may, at its discretion, delay the acceptance of any subscription for Shares of a Sub-fund or Class restricted to Institutional Investors until such date as it has received sufficient evidence on the qualification of the investor as an Institutional Investor. If it appears at any time that a holder of Shares of a Sub-fund or Class restricted to Institutional Investors is not an Institutional Investor, the Company will, at its discretion, either redeem the relevant Shares in accordance with Section 8.8 of this General Section or convert such Shares into Shares of a Sub-fund or Class which is not restricted to Institutional Investors (provided there exists such a Sub-fund or Class with similar characteristics) and which is essentially identical to the restricted Sub-fund or Class in terms of its investment object (but, for avoidance of doubt, not necessarily in terms of the fees and expenses payable by such Sub-fund or Class), unless such holding is the result of an error of the Company or its agents, and notify the relevant Shareholder.

Institutional Investors subscribing in their own name, but on behalf of a third party, may be required to certify that such subscription is made either on behalf of an Institutional Investor or on behalf of a Retail Investor provided in the latter case that the Institutional Investor is acting within the framework of a discretionary management mandate and that the Retail Investor has no right to lay a claim against the Company for direct ownership of the Shares.

## 7. CONVERSION OF SHARES

Unless otherwise stated in the relevant Special Section, Shareholders are not allowed to convert all, or part, of the Shares of a given Class into Shares of the same Class of another Sub-fund or into other Shares of another Class of the same Sub-fund.

## 8. REDEMPTION OF SHARES

### 8.1 Timing, form of redemption request

Shares in a Sub-fund may be redeemed at the request of the Shareholders on any day that is a Valuation Date. Redemption requests must be sent in writing by fax, swift or any other transmission method allowed by the Administrative Agent to the Distributor(s) or the Administrative Agent or such other place as the Company may advise. Redemption requests must be received by the Administrative Agent by such time as set out in the relevant special section (the **Redemption Cut-Off Time**) to be eligible for processing as of such Valuation Date (unless another Redemption Cut-Off Time is specified in respect of a Sub-fund in the relevant Special Section). Redemption requests received after the Redemption Cut-Off Time will be deemed received at the next forthcoming Valuation Date and will be processed on the basis of the Net Asset Value per Share as of the first Calculation Date after the relevant Valuation Date.

The Board, the Administrative Agent and the Distributor(s) will ensure that the relevant Redemption Cut-Off Times of each Sub-fund are strictly complied with and will therefore take all adequate measures to prevent practices known as "Late Trading".

Requests for redemption must be for either a number of Shares or an amount denominated in the Reference Currency or Alternative Currency of the Class of the Sub-fund. Redemption requests must be addressed to the Administrative Agent or the Distributor. Redemption requests will not be accepted by telephone or telex. Redemption requests are irrevocable (except during any period where the determination of the Net Asset Value, the issue, redemption of Shares is suspended) and proceeds of the redemption will be remitted to the account indicated by the Shareholder in its subscription request. The Company reserves the right not to redeem any Shares if it has not been

provided with evidence satisfactory to the Company that the redemption request was made by a Shareholder of the Company. Failure to provide appropriate documentation to the Administrative Agent may result in the withholding of redemption proceeds.

All instructions to redeem Shares will be dealt with on an unknown Net Asset Value basis before the determination of the Net Asset Value per Share as of that Valuation Date.

All Shares redeemed will be cancelled.

## **8.2 Redemption Price**

A Shareholder who redeems his/her/its Shares will receive an amount per Share redeemed equal to the Net Asset Value per Share, as may be adjusted in accordance with Section 9, as of the applicable Valuation Date for the relevant Class in the relevant Sub-fund, less, as the case may be, the Redemption Fee of up to 3% of the Net Asset Value per Share of the relevant class of the relevant Sub-fund as stipulated in the relevant Special Section and any tax or duty imposed on the redemption of the Shares. The applicable Redemption Fee will be stipulated in the relevant Special Section. This fee will be payable to the Company, unless otherwise specified in respect of a Sub-fund in the relevant Special Section. For the avoidance of doubt, the Redemption Fee is calculated on the redemption price of the Shares. The redemption price could be higher or lower than the subscription price paid, depending on changes in the Net Asset Value.

## **8.3 Payment of the redemption price**

Payment of the redemption proceeds will be made generally within 7 (seven) Business Days following the relevant Valuation Date (unless otherwise specified in respect of a Sub-fund in the relevant Special Section), normally in the currency of the relevant Class of Shares. On request, redemption proceeds paid by bank transfer may be paid in most other currencies at the cost and risk of, the Shareholder.

If, in exceptional circumstances and for whatever reason, redemption proceeds cannot be paid within five Business Days from the relevant Valuation Date, for example when the liquidity of the relevant Sub-Fund does not permit to do so, then payment will be made as soon as reasonably practicable thereafter at the Net Asset Value per Share calculated on the relevant Valuation Date.

If, on the settlement date, banks are not open for business in the country of the settlement currency of the relevant Class of Share, then settlement will be on the next Business Day on which those banks are open.

Where a Shareholder redeems Shares that he/she/it has not paid for within the required subscription settlement period, in circumstances where the redemption proceeds would exceed the subscription amount that he/she/it owes, the Company will be entitled to retain such excess for the benefit of the Company.

Different settlement procedures may apply if instructions to redeem Shares are communicated via distributors.

## **8.4 Minimum Net Asset Value**

If redemption requests would result in a residual holding in any one Sub-fund or Class of less than the Minimum Net Asset Value applicable, the Company reserves the right to compulsorily redeem the residual Shares in that Sub-fund or Class at the relevant redemption price and make payment of the proceeds thereof to the Shareholder.

## **8.5 Suspension of redemption**

Redemption of Shares may be suspended for certain periods of time as described under Section 12.2 of the General Section.

## **8.6 10% Gate**

If any application for redemption is received in respect of a Valuation Date which either singly or when aggregated with other applications so received (including conversion requests), is more than 10% of the total net assets of the relevant Sub-fund, the Company reserves the right in its sole and absolute discretion (and taking into account the best interests of the remaining Shareholders) to scale down pro rata each application with respect to such Valuation Date so that not more than 10% of the total net assets of the Sub-fund be redeemed or converted on such Valuation Date. To the extent that any application is not given full effect on such Valuation Date by virtue of the exercise of the power to prorate applications, it will be treated with respect to the unsatisfied balance thereof as if a further request had been made by the Shareholder in respect of the next Valuation Date and, if necessary, subsequent Valuation Dates. With respect to any application received in respect of the relevant Valuation Date, to the extent that subsequent applications will be received in respect of following Valuation Dates, such later applications will be postponed in priority to the satisfaction of applications relating to the relevant Valuation Date, but subject thereto will be dealt with as set out in the preceding sentence.

## **8.7 Redemption in-kind**

The Company may, at the request of a Shareholder, agree to make, in whole or in part, a distribution in-kind of securities of the Sub-fund to that Shareholder in lieu of paying to that Shareholder redemption proceeds in cash. The Company will agree to do so if it determines that such a transaction would not be detrimental to the best interests of the remaining Shareholders of the relevant Sub-fund. Such redemption will be effected at the Net Asset Value per Share of the relevant Class of the Sub-fund which the Shareholder is redeeming, and thus will constitute a pro rata portion of the Sub-fund's assets attributable in that Class in terms of value. The assets to be transferred to such Shareholder will be determined by the Company and the Depositary, with regard to the practicality of transferring the assets and to the interests of the Sub-fund and continuing participants therein and to the Shareholder. Such a Shareholder may incur brokerage and/or local tax charges on any transfer or sale of securities so received in satisfaction of redemption. The net proceeds from this sale by the redeeming Shareholder of such securities may be more or less than the corresponding redemption price of Shares in the relevant Sub-fund due to market conditions and/or differences in the prices used for the purposes of such sale or transfer and the calculation of the Net Asset Value of Shares of the Sub-fund. The selection, valuation and transfer of assets will be subject to the review and approval of the Auditor of the Company.

Any costs incurred in connection with a redemption in-kind will be borne by the relevant Shareholder.

## **8.8 Compulsory redemptions by the Company**

The Company may redeem Shares of any Shareholder if the Board or the Management Company whether on its own initiative or at the initiative of a Distributor, determines that:

- (a) any of the representations given by the Shareholder to the Company or the Management Company were not true and accurate or have ceased to be true and accurate; or
- (b) the Shareholder is not or ceases to be an Eligible Investor; or

- (c) the continuing ownership of Shares by the Shareholder would cause an undue risk of adverse tax consequences to the Company or any of its Shareholders; or
- (d) the continuing ownership of Shares by such Shareholder may be prejudicial to the Company or any of its Shareholders.

## **9. PRICE ADJUSTMENT POLICY**

9.1 The basis on which the assets of each Sub-fund are valued for the purposes of calculating the Net Asset Value per Shares is set out in Section 12 of the General Section. The actual cost of purchasing or selling assets and investments for a Sub-fund may however deviate from the latest available price or net asset value used, as appropriate, in calculating the Net Asset Value per Shares due to duties and charges and spreads from buying and selling prices of the underlying investments. These costs have an adverse effect on the value of a Sub-fund and are known as "dilution". To mitigate the effects of dilution, the Company may, at its discretion, make a dilution adjustment to the Net Asset Value per Shares.

9.2 Shares will in principle be issued and redeemed on the basis of a single price, i.e., the Net Asset Value per Share. However – to mitigate the effect of dilution – the Net Asset Value per Share may be adjusted on any Valuation Date in the manner set out below depending on whether or not a Sub-fund is in a net subscription position or in a net redemption position on such Valuation Date. Where there is no dealing on a Sub-fund or Class of a Sub-fund on any Valuation Date, the applicable price will be the unadjusted Net Asset Value per Share. The Company will retain the discretion in relation to the circumstances under which to make such a dilution adjustment. As a general rule, the requirement to make a dilution adjustment will depend upon the volume of subscriptions or redemptions of Shares in the relevant Sub-fund. The Company may make a dilution adjustment if, in their opinion, the existing Shareholders (in case of subscriptions) or remaining Shareholders (in case of redemptions) might otherwise be adversely affected. In particular, the dilution adjustment may be made where, for example but without limitation:

- (a) a Sub-fund is in continual decline (i.e. is experiencing a net outflow of redemptions);
- (b) a Sub-fund is experiencing large levels of net subscriptions relevant to its size;
- (c) a Sub-fund is experiencing a net subscription position or a net redemption position on any Valuation Date; and
- (d) in any other case where the Company is of the opinion that the interests of Shareholders require the imposition of a dilution adjustment.

9.3 The dilution adjustment will involve adding to, when the Sub-fund is in a net subscription position, and deducting from, when the Sub-fund is in a net redemption position, the Net Asset Value per Share such figure as the Board considers represents an appropriate figure to meet duties and charges and spreads. In particular, the Net Asset Value of the relevant Sub-fund will be adjusted (upwards or downwards) by an amount which reflects (i) the estimated fiscal charges, (ii) dealing costs that may be incurred by the Sub-fund and (iii) the estimated bid/offer spread of the assets in which the Sub-fund invests. As certain stock markets and jurisdictions may have different charging structures on the buy and sell sides, the resulting adjustment may be different for net inflows than for net outflows. Adjustments will however be limited to a maximum of 2.5% of the then applicable Net Asset Value per Share.

9.4 The Net Asset Value of each Class in the Sub-fund will be calculated separately but any dilution adjustment will in percentage terms affect the Net Asset Value of each Class in an identical manner.

## **10. RESTRICTIONS ON TRANSFER OF SHARES**

All transfers of Shares will be effected by a transfer in writing in any usual or common form or any other form approved by the Company and every form of transfer will state the full name and address of the transferor and the transferee. The instrument of transfer of a Share will be signed by or on behalf of the transferor and the transferee. The transferor will be deemed to remain the holder of the Share until the name of the transferee is entered on the Register in respect thereof. The Company may decline to register any transfer of a Share if, in consequence of such transfer, the value of the holding of the transferor or transferee does not meet the minimum subscription or holding levels of the relevant Class or Sub-fund as set out in this Prospectus or the relevant Special Section. The registration of transfer may be suspended at such times and for such periods as the Company may from time to time determine, provided, however, that such registration will not be suspended for more than five (5) days in any calendar year. The Company may decline to register any transfer of Shares unless the original instruments of transfer, and such other documents that the Company may require are deposited at the registered office of the Company or at such other place as the Company may reasonably require, together with such other evidence as the Company may reasonably require to show the right of the transferor to make the transfer and to verify the identity of the transferee. Such evidence may include a declaration as to whether the proposed transferee (i) is a US Person or acting for or on behalf of a US Person, (ii) is a Restricted Person or acting for or on behalf of a Restricted Person or (iii) does qualify as Institutional Investor.

The Company may decline to register a transfer of Shares:

- (a) if in the opinion of the Company, the transfer will be unlawful or will result or be likely to result in any adverse regulatory, tax or fiscal consequences to the Company or its Shareholders; or
- (b) if the transferee is a US Person or is acting for or on behalf of a US Person; or
- (c) if the transferee is a Restricted Person or is acting for or on behalf of a Restricted Person; or
- (d) in relation to Classes reserved for subscription by Institutional Investors, if the transferee is not an Institutional Investor; or
- (e) in circumstances as set out in Section 11.2 of this General Section; or
- (f) if in the opinion of the Company, the transfer of the Shares would lead to the Shares being registered in a depository or clearing system in which the Shares could be further transferred otherwise than in accordance with the terms of this Prospectus or the Articles.

## **11. ANTI-MONEY LAUNDERING AND TERRORIST FINANCING REQUIREMENTS – MARKET TIMING AND LATE TRADING**

### **11.1 Anti-money laundering and terrorist financing requirements**

Measures aimed towards the prevention of money laundering and terrorism financing as provided by Luxembourg laws, regulations and circulars as issued by the CSSF are the responsibility of the Company, who delegates to the Administrative Agent (acting in capacity as registrar and transfer agent) such controls.

These measures may require the Administrative Agent to request verification of the identity of any prospective investor. By way of example, an individual may be required to produce a copy of his passport or identification card duly certified by a competent authority (e.g. embassy, consulate, notary, police officer, solicitor, financial institution domiciled in a country imposing equivalent identification requirements or any other competent authority. In the case of corporate applicants, this

may require, amongst others, production of a certified copy of the certificate of incorporation (and any change of name) and investor's memorandum and articles of association (or equivalent), a recent list of its shareholders showing a recent stake in its capital in order to identify, where applicable, any beneficial owner(s) holding 25% or more of the participations of the corporate applicant, printed on the letterhead of the investor duly dated and signed, an authorised signature list and an excerpt of the trade register. It should be noted that the above list is not exhaustive and that the investors may be required to provide further information to the Administrative Agent in order to ensure the identification of the final beneficial owner of the Shares.

Until satisfactory proof of identity is provided by potential investors or transferees as determined by the Administrative Agent, it reserves the right to withhold issue or approval of registration of transfers of Shares. Similarly, redemption proceeds will not be paid unless compliance with these requirements has been made in full. In any such event, the Administrative Agent will not be liable for any interest, costs or compensation.

In case of a delay or failure to provide satisfactory proof of identity, the Administrative Agent may take such action as it thinks fit.

## **11.2 Market Timing and Late Trading**

Prospective investors and Shareholders should note that the Company may reject or cancel any subscription or redemption orders for any reason and in particular in order to comply with the Circular 04/146 relating to the protection of UCIs and their investors against Late Trading and Market Timing practices.

For example, excessive trading of Shares in response to short-term fluctuations in the market, a trading technique sometimes referred to as Market Timing, has a disruptive effect on portfolio management and increases the Sub-funds' expenses. Accordingly, the Company may, in the sole discretion of the Board, compulsorily redeem Shares or reject any subscription orders from any investor that the Company reasonably believes has engaged in Market Timing activity. For these purposes, the Company may consider an investor's trading history in the Sub-funds and accounts under common control or ownership.

In addition to the Subscription Fees which may be of application to such orders as set forth in the Special Section of the relevant Sub-fund, the Company may impose a penalty of maximum 2% of the Net Asset Value of the Shares subscribed or converted where the Company reasonably believes that an investor has engaged in Market Timing activity. The penalty will be credited to the relevant Sub-fund. Neither the Company nor the Board will be held liable for any loss resulting from rejected orders or mandatory redemption.

Furthermore, the Company will ensure that the relevant deadlines for requests for subscriptions or redemptions are strictly complied with and will therefore take all adequate measures to prevent practices known as Late Trading.

## **12. CALCULATION AND SUSPENSION OF NET ASSET VALUE**

### **12.1 Net Asset Value calculation**

The Company, each Sub-fund and each Class in a Sub-fund have a Net Asset Value determined in accordance with the Articles. The reference currency of the Company is the USD. The Net Asset Value of each Sub-fund and Class will be calculated in the Reference Currency of the Sub-fund and the Alternative Currency of the relevant Class, as it is stipulated in the relevant Special Section, and will be determined by the Administrative Agent for each Valuation Date as at each Calculation Date as stipulated in the relevant Special Section, by calculating the aggregate of:



- (a) the value of all assets of the Company which are allocated to the relevant Sub-fund in accordance with the provisions of the Articles; less
- (b) all the liabilities of the Company which are allocated to the relevant Sub-fund and Class in accordance with the provisions of the Articles, and all fees attributable to the relevant Sub-fund and Class, which fees have accrued but are unpaid on the relevant Valuation Date.

The Net Asset Value per Share for a Valuation Date will be calculated by the Administrative Agent on a Calculation Date as of the Valuation Date of the relevant Sub-fund by dividing the Net Asset Value of the relevant Sub-fund by the number of Shares which are in issue on such Valuation Date in the relevant Sub-fund (including Shares in relation to which a Shareholder has requested redemption on such Valuation Date in relation to such Calculation Date). The Net Asset Value will be calculated up to two decimal places, provided that the Administrative Agent can apply its own rounding policy to such calculation.

If the Sub-fund has more than one Class in issue, the Administrative Agent will calculate the Net Asset Value per Share of each Class for a Valuation Date by dividing the portion of the Net Asset Value of the relevant Sub-fund attributable to a particular Class by the number of Shares of such Class in the relevant Sub-fund which are in issue on such Valuation Date (including Shares in relation to which a Shareholder has requested redemption on such Valuation Date in relation to such Calculation Date).

The Company may decide to publish an indicative Net Asset Value per Share for each Sub-fund or each Class in a Sub-fund on any day which is not a Valuation Date as defined in each relevant Special Section. This indicative Net Asset Value per Share will be published for information purposes only. For the avoidance of doubt no subscriptions, redemptions or conversions will be accepted based on this indicative Net Asset Value per Share.

The Net Asset Value per Share may be rounded up or down to the nearest whole hundredth share of the currency in which the Net Asset Value of the relevant Shares are calculated.

The allocation of assets and liabilities of the Company between Sub-funds (and within each Sub-fund between the different Classes) will be effected as follows:

- (a) The subscription price received by the Company on the issue of Shares, and reductions in the value of the Company as a consequence of the redemption of Shares, will be attributed to the Sub-fund (and within that Sub-fund, the Class) to which the relevant Shares belong.
- (b) Assets acquired by the Company upon the investment of the subscription proceeds and income and capital appreciation in relation to such investments which relate to a specific Sub-fund (and within a Sub-fund, to a specific Class) will be attributed to such Sub-fund (or Class in the Sub-fund).
- (c) Assets disposed of by the Company as a consequence of the redemption of Shares and liabilities, expenses and capital depreciation relating to investments made by the Company and other operations of the Company, which relate to a specific Sub-fund (and within a Sub-fund, to a specific Class) will be attributed to such Sub-fund (or Class in the Sub-fund).
- (d) Where the use of foreign exchange transactions, instruments or financial techniques relates to a specific Sub-fund (and within a Sub-fund, to a specific Class) the consequences of their use will be attributed to such Sub-fund (or Class in the Sub-fund).
- (e) Where assets, income, capital appreciations, liabilities, expenses, capital depreciations or the use of foreign exchange transactions, instruments or techniques relate to more than one Sub-fund (or within a Sub-fund, to more than one Class), they will be attributed to such Sub-

funds (or Classes, as the case may be) in proportion to the extent to which they are attributable to each such Sub-fund (or each such Class).

- (f) Where assets, income, capital appreciations, liabilities, expenses, capital depreciations or the use of foreign exchange transactions, instruments or techniques cannot be attributed to a particular Sub-fund they will be divided equally between all Sub-funds or, in so far as is justified by the amounts, will be attributed in proportion to the relative Net Asset Value of the Sub-funds (or Classes in the Sub-fund) if the Company, in its sole discretion, determines that this is the most appropriate method of attribution.
- (g) Upon payment of dividends to the Shareholders of a Sub-fund (and within a Sub-fund, to a specific Class) the net assets of this Sub-fund (or Class in the Sub-fund) are reduced by the amount of such dividend.

The assets of the Company will be valued as follows:

- (a) Transferable Securities or Money Market Instruments quoted or traded on an official stock exchange or any other Regulated Market, are valued on the basis of the last known price as of the relevant Valuation Date, and, if the securities or Money Market Instruments are listed on several stock exchanges or Regulated Markets, the last known price of the stock exchange which is the principal market for the security or Money Market Instrument in question, unless these prices are not representative.
- (b) For Transferable Securities or Money Market Instruments not quoted or traded on an official stock exchange or any other Regulated Market, and for quoted Transferable Securities or Money Market Instruments, but for which the last known price as of the relevant Valuation Date is not representative, valuation is based on the probable sales price estimated prudently and in good faith by the Board.
- (c) Units and shares issued by UCIs will be valued at their last available net asset value as of the relevant Valuation Date.
- (d) The liquidating value of futures, forward or options contracts that are not traded on exchanges or on other Regulated Markets will be determined pursuant to the policies established in good faith by the Board, on a basis consistently applied. The liquidating value of futures, forward or options contracts traded on exchanges or on other Regulated Markets will be based upon the last available settlement prices as of the relevant Valuation Date of these contracts on exchanges and Regulated Markets on which the particular futures, forward or options contracts are traded; provided that if a futures, forward or options contract could not be liquidated on such Business Day with respect to which a Net Asset Value is being determined, then the basis for determining the liquidating value of such contract will be such value as the Board may, in good faith and pursuant to verifiable valuation procedures, deem fair and reasonable.
- (e) Liquid assets and Money Market Instruments with a maturity of less than 12 months may be valued at nominal value plus any accrued interest or using an amortised cost method (it being understood that the method which is more likely to represent the fair market value will be retained). This amortised cost method may result in periods during which the value deviates from the price the Company would receive if it sold the investment. The Board may, from time to time, assess this method of valuation and recommend changes, where necessary, to ensure that such assets will be valued at their fair value as determined in good faith pursuant to procedures established by the Board. If the Board believes that a deviation from the amortised cost may result in material dilution or other unfair results to Shareholders, the Board will take such corrective action, if any, as it deems appropriate, to eliminate or reduce, to the extent reasonably practicable, the dilution or unfair results.

- (f) The swap transactions will be consistently valued based on a calculation of the net present value of their expected cash flows. For certain Sub-funds using OTC Derivatives as part of their main Investment Policy, the valuation method of the OTC Derivative will be further specified in the relevant Special Section.
- (g) Accrued interest on securities will be taken into account if it is not reflected in the share price.
- (h) Cash will be valued at nominal value, plus accrued interest.
- (i) All assets denominated in a currency other than the Reference Currency of the respective Sub-fund or the Alternative Currency of the relevant Class will be converted at the mid-market conversion rate as of the relevant Valuation Date between the Reference Currency/Alternative Currency and the currency of denomination.
- (j) All other securities and other permissible assets as well as any of the above mentioned assets for which the valuation in accordance with the above paragraphs would not be possible or practicable, or would not be representative of their probable realisation value, will be valued at probable realisation value, as determined with care and in good faith pursuant to procedures established by the Board.

In the context of Sub-funds which invest in other UCIs, valuation of their assets may be complex in some circumstances and the administrative agents of such UCIs may be late or delay communicating the relevant net asset values. Consequently, the Administrative Agent, under the responsibility of the Board, may estimate the assets of the relevant Sub-funds as of the Valuation Date considering, among other things, the last valuation of these assets, market changes and any other information received from the relevant UCIs. In this case, the Net Asset Value estimated for the Sub-funds concerned may be different from the value that would have been calculated on the said Valuation Date using the official net asset values calculated by the administrative agents of the UCIs in which the Sub-fund invested. Nevertheless, the Net Asset Value calculated using this method will be considered as final and applicable despite any future divergence.

For the purpose of determining the value of the Company's assets, the Administrative Agent, having due regards to the standard of care and due diligence in this respect, may, when calculating the Net Asset Value, completely and exclusively rely, unless there is manifest error or negligence on its part, upon the valuations provided either (i) by the Board, (ii) by various pricing sources available on the market such as pricing agencies (i.e., Bloomberg, Reuters, etc.) or administrators of underlying UCIs, (iii) by prime brokers and brokers, or (iv) by (a) specialist(s) duly authorised to that effect by the Board. In particular, for the valuation of any assets for which market quotations or fair market values are not publicly available (including but not limited to non-listed structured or credit-related instruments and other illiquid assets), the Administrative Agent will exclusively rely on valuations provided either by the Board or by third party pricing sources appointed by the Board under its responsibility or other official pricing sources like UCIs' administrators and others like Telekurs, Bloomberg, Reuters and will not check the correctness and accuracy of the valuations so provided. If the Board gives instructions to the Administrative Agent to use a specific pricing source, the Board will make its own prior due diligence on such agents as far as its competence, reputation, professionalism are concerned so as to ensure that the prices which will be given to the Administrative Agent are reliable and the Administrative Agent will not, and will not be required to, carry out any additional due diligence or testing on any such pricing source.

If one or more sources of quotation are not able to provide relevant valuations to the Administrative Agent, the latter is authorised to not calculate the Net Asset Value and, consequently, not to determine subscription and redemption prices. The Administrative Agent will immediately inform the Board if such a situation arises. If necessary, the Board may decide to suspend the calculation of

the Net Asset Value in accordance with the procedures described in Section 12.2 of the General Section.

## **12.2 Suspension of determination of Net Asset Value, issue, redemption of Shares**

The Company may at any time and from time to time suspend the determination of the Net Asset Value of Shares of any Sub-fund or Class and/or the issue of the Shares of such Sub-fund or Class to subscribers and/or the redemption of the Shares of such Sub-fund or Class from its Shareholders:

- (a) when one or more stock exchanges or markets, which provide the basis for valuing a substantial portion of the assets of the relevant Sub-fund or Class, or when one or more foreign exchange markets in the currency in which a substantial portion of the assets of the relevant Sub-fund or Class are denominated, are closed otherwise than for ordinary holidays or if dealings therein are restricted or suspended;
- (b) when, as a result of political, economic, military or monetary events or any circumstances outside the responsibility and the control of the Board, disposal of the assets of the relevant Sub-fund or Class is not reasonably or normally practicable without being seriously detrimental to the interests of the Shareholders;
- (c) in the case of a breakdown in the normal means of communication used for the valuation of any investment of the relevant Sub-fund or Class or if, for any reason beyond the responsibility of the Board, the value of any asset of the relevant Sub-fund or Class may not be determined as rapidly and accurately as required;
- (d) if, as a result of exchange restrictions or other restrictions affecting the transfer of funds, transactions on behalf of the Company are rendered impracticable or if purchases and sales of the Sub-fund's assets cannot be effected at normal rates of exchange;
- (e) when the Board so decides, provided that all Shareholders are treated on an equal footing and all relevant laws and regulations are applied (i) upon publication of a notice convening a general meeting of Shareholders of the Company or of a Sub-fund for the purpose of deciding on the liquidation, dissolution, the merger or absorption of the Company or the relevant Sub-fund and (ii) when the Board is empowered to decide on this matter, upon their decision to liquidate, dissolve, merge or absorb the relevant Sub-fund;
- (f) in case of the Company's liquidation or in the case a notice of termination has been issued in connection with the liquidation of a Sub-fund or a Class;
- (g) where, in the opinion of the Board, circumstances which are beyond the control of the Board make it impracticable or unfair vis-à-vis the Shareholders to continue trading the Shares; and
- (h) in the case of suspension, of the calculation of the net asset value of one or several of the target UCIs in which the Company has invested a substantial portion of its assets.

Any such suspension may be notified by the Company or the Management Company in such manner as it may deem appropriate to the persons likely to be affected thereby. The Company or the Management Company will notify Shareholders requesting redemption of their Shares of such suspension.

Such suspension as to any Sub-fund will have no effect on the calculation of the Net Asset Value per Share, the issue and redemption of Shares of any other Sub-fund.

Any request for subscription and redemption will be irrevocable except in the event of a suspension of the calculation of the Net Asset Value per Share in the relevant Sub-fund. Withdrawal of a

subscription or of an application for redemption will only be effective if written notification (by electronic mail, regular mail, courier or fax) is received by the Administrative Agent before termination of the period of suspension, failing which subscription, redemption applications not withdrawn will be processed on the first Valuation Date following the end of the suspension period, on the basis of the Net Asset Value per Share determined for such Valuation Date.

## **13. GENERAL INFORMATION**

### **13.1 Fiscal Year – Reporting**

The Fiscal Year begins on 1 January and terminates on 31 December of each year, except for the first Fiscal Year, which started on the date of incorporation of the Company and ended on 31 December 2018.

Audited annual reports of the end of each Fiscal Year will be established as at 31 December of each year. In addition, unaudited semi-annual reports will be established as per the last day of the month of June. Those financial reports will provide for information on each of the Sub-fund's assets as well as the consolidated accounts of the Company and be made available to the Shareholders free of charge at the registered office of the Company and of the Administrative Agent.

The financial statements of each Sub-fund will be established in the Reference Currency of the Sub-fund but the consolidated accounts will be in USD.

Audited annual reports will be published within four (4) months following the end of the accounting year and unaudited semi-annual reports will be published within two (2) months following the end of period to which they refer.

The Net Asset Value per Share of each Class within each Sub-fund will be made public at the offices of the Company, the Management Company and the Administrative Agent on each Calculation Date.

### **13.2 Documents available to Shareholders**

Documents available for inspection by Shareholders free of charge, during usual business hours at the offices of the Company, the Management Company and the Administrative Agent in Luxembourg (copies of these documents may also be delivered without cost to Shareholders at their request):

- (a) the Articles;
- (b) the Management Company Agreement;
- (c) Depositary Agreement;
- (d) the Administration Agreement;
- (e) the Investment Management Agreement; and
- (f) the most recent annual and semi-annual financial statements of the Company.

The agreements referred to under items (c) and (e) may be amended from time to time by all the parties involved.

A copy of the Prospectus, KIID, the most recent financial statements and the Articles may be obtained free of charge upon request at the registered office of the Company.

### **13.3 General meeting of Shareholders**

The annual general meeting of the Shareholders in the Company will be held at the registered office of the Company or on the place specified in the convening notice within four (4) months of the end of each financial year of the Company.

Notice of any general meeting of shareholders (including those considering amendments to the Articles or the dissolution and liquidation of the Company or of any Sub-fund) will be mailed to each registered Shareholder at least eight days prior to the meeting and will be published to the extent required by Luxembourg law in the RESA and, if necessary, in any Luxembourg and other newspaper(s) that the Board may determine.

Such notices will contain the agenda, the date and place of the meeting, the conditions of admission to the meeting and they will refer to the applicable quorum and majority requirements. The meetings of Shareholders of Shares of a particular Sub-fund may decide on matters which are relevant only for the Sub-fund concerned.

The convening notice to a General Meeting may provide that the quorum and majority requirements will be assessed against the number of Shares issued and outstanding at midnight (Luxembourg time) on the fifth day prior to the relevant meeting (the Record Date) in which case, the right of any Shareholder to participate in the meeting will be determined by reference to his/her/its holding as at the Record Date.

### **13.4 Dividend policy**

For the time being, the Company will only issue Accumulation Classes within each Sub-fund. Accumulation Classes capitalise their entire earnings.

### **13.5 Liquidation and merger of Sub-funds or Classes**

#### **(a) Dissolution of the Company**

The duration of the Company is not limited by the Articles. The Company may be wound up by decision of an extraordinary general meeting of Shareholders. If the total net assets of the Company falls below two-thirds of the minimum capital prescribed by law (i.e. EUR 1,250,000), the Board must submit the question of the Company's dissolution to an extraordinary general meeting of Shareholders for which no quorum is prescribed and which will pass resolutions by simple majority of the Shares represented at the extraordinary general meeting.

If the total net assets of the Company fall below one-fourth of the minimum capital prescribed by law, the Board must submit the question of the Company's dissolution to a general meeting of Shareholders for which no quorum is prescribed. A resolution dissolving the Company may be passed by Shareholders holding one-fourth of the voting rights represented at the meeting.

The meeting must be convened so that it is held within a period of forty (40) days from the date of ascertainment that the net assets have fallen below two-thirds or one-fourth of the legal minimum, as the case may be.

If the Company is dissolved, the liquidation will be carried out by one or several liquidators appointed in accordance with the provisions of the 2010 Act. The decision to dissolve the Company will be published in the RESA. The liquidator(s) will realise each Sub-fund's assets in the best interests of the Shareholders and apportion the proceeds of the liquidation, after deduction of liquidation costs, amongst the Shareholders of the relevant Sub-fund according to their respective prorata entitlement. Any amounts unclaimed by the investors at the closing of the liquidation will be

deposited with the Caisse de Consignation in Luxembourg for a duration of thirty (30) years. If amounts deposited remain unclaimed beyond the prescribed time limit, they will be forfeited.

As soon as the decision to wind up the Company is made, the issue or redemption of Shares in all Sub-funds will be prohibited and will be deemed void.

(b) Liquidation of Sub-funds or Classes

If, for any reason, the net assets of a Sub-fund or of any Class fall below the equivalent of the Minimum Net Asset Value, or if a change in the economic or political environment of the relevant Sub-fund or Class may have material adverse consequences on the Sub-fund or Class's investments, or if an economic rationalisation so requires, the Board may decide on a compulsory redemption of all Shares outstanding in such Sub-fund or Class on the basis of the Net Asset Value per Share (after taking account of current realisation prices of the investments as well as realisation expenses), calculated as of the day the decision becomes effective. The Company will serve a notice to the holders of the relevant Shares at the latest on the effective date for the compulsory redemption, which will indicate the reasons of and the procedure for the redemption operations. Registered Shareholders will be notified in writing. Unless the Board decides otherwise in the interests of, or in order to keep equal treatment between the Shareholders, the Shareholders of the Sub-fund or Class concerned may continue to request redemption of their Shares free of redemption charge. However, the liquidation costs will be taken into account in the redemption price. Any amounts unclaimed by the Investors at the closing of the liquidation will be deposited with the Caisse de Consignation in Luxembourg for a duration of thirty (30) years. If amounts deposited remain unclaimed beyond the prescribed time limit, they will be forfeited.

Notwithstanding the powers granted to the Board as described in the previous paragraph, a general meeting of Shareholders of a Sub-fund or Class may, upon proposal of the Board, decide to repurchase all the Shares in such Sub-fund or Class and to reimburse the Shareholders on the basis of the Net Asset Value of their Shares (taking account of current realisation prices of the investments as well as realisation expenses) calculated as of the Valuation Date on which such decision will become effective. No quorum will be required at this general meeting and resolutions will be passed by a simple majority of the shareholders present or represented, provided that the decision does not result in the liquidation of the Company.

All the Shares redeemed will be cancelled.

(c) Merger of the Company and the Sub-funds

In accordance with the provisions of the 2010 Act and of the Articles, the Board may decide to merge or consolidate the Company with, or transfer substantially all or part of the Company's assets to, or acquire substantially all the assets of, another UCITS established in Luxembourg or another EU Member State. For the purpose of this Section 13.5(c), the term UCITS also refers to a sub-fund of a UCITS and the term Company also refers to a Sub-fund.

Any merger leading to termination of the Company must be approved by Supermajority Resolution at the Shareholders' meeting.

Shareholders will receive shares of the surviving UCITS or sub-fund and, if applicable, a cash payment not exceeding 10% of the net asset value of those shares.

The Company will provide appropriate and accurate information on the proposed merger to its Shareholders so as to enable them to make an informed judgment of the impact of the merger on their investment and to exercise their rights under this Section 13.5(c) and the 2010 Act.

The Shareholders have the right to request, without any charge other than those retained by the Company to meet disinvestment costs, the redemption of their Shares.

Under the same circumstances as provided by Section 13.5(b), the Board may decide to allocate the assets of a Sub-fund to those of another existing Sub-fund within the Company or to another Luxembourg UCITS or to another sub-fund within such other Luxembourg UCITS (the **New Sub-fund**) and to repatriate the Shares of the Class or Classes concerned as Shares of another Class (following a split or consolidation, if necessary, and the payment of the amount corresponding to any fractional entitlement to Shareholders). Such decision will be published one month before its effectiveness (and, in addition, the publication will contain information in relation to the New Sub-fund), in order to enable the Shareholders to request redemption of their Shares, free of charge, during such period.

Notwithstanding the powers conferred to the Board by the paragraph above, a contribution of the assets and of the liabilities attributable to any Sub-fund to another Sub-fund within the Company may in any other circumstances be decided by a general meeting of Shareholders of the Class or Classes issued in the Sub-fund concerned for which there will be no quorum requirements and which will decide upon such a merger by resolution taken by simple majority of those present or represented and voting at such meeting.

If the interest of the Shareholders of the relevant Sub-fund or in the event that a change in the economic or political situation relating to a Sub-fund so justifies, the Board may proceed to the reorganisation of a Sub-fund by means of a division into two or more Sub-funds. Information concerning the New Sub-fund(s) will be provided to the relevant Shareholders. Such publication will be made one month prior to the effectiveness of the reorganisation in order to permit Shareholders to request redemption of their Shares free of charge during such one month prior period.

## **14. FEES AND EXPENSES**

### **14.1 Fees and expenses payable directly by the Company**

#### **(a) Operating and Administrative Fees and other fees and expenses**

The Company will pay out of the assets of the relevant Sub-fund all expenses incurred by it, which will include but not be limited to the Operating and Administrative Fees as well as all other fees and expenses including taxes which may be due on the assets and the income of the Company; the reasonable disbursements and out-of-pocket expenses (including without limitation telephone, telex, cable and postage expenses) incurred by the Depositary and any custody charges of banks and financial institutions to whom custody of assets of the Company is entrusted; usual banking fees due on transactions involving securities or other assets (including derivatives) held in the portfolio of the Company (such fees to be included in the acquisition price and to be deducted from the selling price); legal expenses incurred by the Service Providers while acting in the interests of the Shareholders; the cost and expenses of preparing and/or filing and printing the Articles and all other documents concerning the Company (in such languages as are necessary), including registration statements, prospectuses and explanatory memoranda with all authorities (including local securities dealers' associations) having jurisdiction over the Company or the offering of Shares of the Company; the cost of preparing, in such languages as are necessary for the benefit of the Shareholders (including the beneficial holders of the Shares), and distributing annual and semi-annual reports and such other reports or documents as may be required under applicable laws or regulations; the cost of accounting, bookkeeping and calculating the Net Asset Value; the cost of preparing and distributing notices to the Shareholders; a reasonable share of the cost of promoting the Company, as determined in good faith by the Company, including reasonable marketing and advertising expenses; the costs incurred with the admission and the maintenance of the Shares on the stock exchanges on which they are listed (if listed). The Company may accrue in its accounts for



administrative and other expenses of a regular or recurring nature based on an estimated amount rateably for yearly or other periods.

(b) Formation and launching expenses

The Company will bear all formation and launching expenses up to a maximum amount of USD 100,000 (including but not limited to legal fees related to the set-up of the Company, travel expenses, etc.) incurred on behalf of, or in connection with, the formation of the Company. Expenses incurred in connection with the creation of any additional Sub-fund may be borne by the relevant Sub-fund and be written off over a period not exceeding five (5) years.

## **14.2 Fees and expenses payable directly by the investor**

(a) Subscription Fee

If an investor wants to subscribe for Shares, a Subscription Fee may be added to the subscription price to be paid by the investor. The applicable Subscription Fee will be stipulated in the relevant Special Section. This fee will be payable to the Company, the Management Company, the Investment Manager or the Distributor, unless otherwise specified in respect of a Sub-fund in the relevant Special Section.

(b) Redemption Fee

If a Shareholder wants to redeem Shares of the Company, a Redemption Fee may be levied on the amount to be paid to the Shareholder. The applicable Redemption Fee will be stipulated in the relevant Special Section. This fee will be payable to the relevant Sub-fund, unless otherwise specified in respect of a Sub-fund in the relevant Special Section.

## **15. TAXATION**

### **15.1 Taxation of the Company**

The Company is neither subject to corporate income tax (*impôt sur le revenu des collectivités*), nor municipal business tax (*impôt commercial communal*), nor wealth tax (*impôt sur la fortune*) in Luxembourg.

However, the Company is subject to an annual subscription tax (*taxe d'abonnement*). The annual subscription tax, payable quarterly, is computed on the Company's net assets as calculated on the last day of each quarter. The standard applicable rate of the annual subscription tax is 0.05%. Depending on the Company's investments and the investors, a reduced rate of 0.01% or an exemption from the annual subscription tax may be available.

A fixed registration duty (*droit d'enregistrement*) is due upon the incorporation of the Company and upon the amendment of its articles of incorporation. No Luxembourg registration duties (*droits d'enregistrement*) are due in Luxembourg in connection with the issue of shares by the Company.

### **15.2 Withholding taxes**

Profit distributions made by the Company are not subject to Luxembourg withholding taxes.

### **15.3 Income taxation of investors**

Shareholders are not subject to any capital gains or income taxes in Luxembourg, except for those Shareholders domiciled, resident or having a permanent establishment or representative in Luxembourg.

## 15.4 Other jurisdictions

Interest, dividend and other income realised by the Company on the sale of securities of non-Luxembourg issuers, may be subject to withholding and other taxes levied by the jurisdictions in which the income is sourced. It is impossible to predict the rate of foreign tax the Company will pay since the amount of the assets to be invested in various countries and the ability of the Company to reduce such taxes is not known.

The information set out above is a summary of those tax issues which could arise in Luxembourg and does not purport to be a comprehensive analysis of the tax issues which could affect a prospective investor. It is expected that Shareholders may be resident for tax purposes in many different countries. Consequently, no attempt is made in this document to summarise the tax consequences for each prospective Shareholders of subscribing, converting, holding, redeeming or otherwise acquiring or disposing of Shares in the Company. These consequences will vary in accordance with the law and practice currently in force in an Shareholder's country of citizenship, residence, domicile or incorporation and with his or her personal circumstances.

## 15.5 Future changes in applicable law

The foregoing description of Luxembourg tax consequences of an investment in, and the operations of, the Company is based on laws and regulations which are subject to change through legislative, judicial or administrative action. Other legislation could be enacted that would subject the Company to income taxes or subject Investors to increased income taxes.

THE INFORMATION SET OUT ABOVE IS A SUMMARY OF THOSE TAX ISSUES WHICH COULD ARISE IN LUXEMBOURG AND DOES NOT PURPORT TO BE A COMPREHENSIVE ANALYSIS OF THE TAX ISSUES WHICH COULD AFFECT A PROSPECTIVE SUBSCRIBER.

THE TAX AND OTHER MATTERS DESCRIBED IN THIS PROSPECTUS DO NOT CONSTITUTE, AND SHOULD NOT BE CONSIDERED AS, LEGAL OR TAX ADVICE TO PROSPECTIVE SUBSCRIBERS. PROSPECTIVE SUBSCRIBERS SHOULD CONSULT THEIR OWN COUNSEL REGARDING TAX LAWS AND REGULATIONS OF ANY OTHER JURISDICTION WHICH MAY BE APPLICABLE TO THEM.

## 16. CONFLICTS OF INTEREST

The Directors, the Management Company, the Distributor(s), the Investment Manager, any Investment Adviser(s), the Depositary and the Administrative Agent may, in the course of their business, have potential conflicts of interests with the Company. Each of the Directors, the Management Company, the Distributor(s), the Investment Manager, any Investment Adviser(s), the Depositary and the Administrative Agent will have regard to their respective duties to the Company and other persons when undertaking any transactions where conflicts or potential conflicts of interest may arise. In the event that such conflicts do arise, each of such persons has undertaken or will be requested by the Company to undertake to use its reasonable endeavours to resolve any such conflicts of interest fairly (having regard to its respective obligations and duties) and to ensure that the Company and the Shareholders are fairly treated.

### Interested dealings

The Directors, the Management Company, the Distributor(s), the Investment Manager, any Investment Adviser(s), the Depositary and the Administrative Agent and any of their respective subsidiaries, affiliates, associates, agents, directors, officers, employees or delegates (together the **Interested Parties** and, each, an **Interested Party**) may:

- contract or enter into any financial, banking or other transaction with one another or with the Company including, without limitation, investment by the Company, in securities in any company or body any of whose investments or obligations form part of the assets of the Company or any Sub-fund, or be interested in any such contracts or transactions;
- invest in and deal with Shares, securities, assets or any property of the kind included in the property of the Company for their respective individual accounts or for the account of a third party;
- act as counterparty to the derivative transactions including TRS or contracts entered on behalf of the Company or act as index sponsor or calculation agent in respect of underlyings to which the Company will be exposed via derivative transactions;
- act as counterparty in respect of SFTs; and
- deal as agent or principal in the sale, issue or purchase of securities and other investments to, or from, the Company through, or with, the Investment Manager or the Depositary or any subsidiary, affiliate, associate, agent or delegate thereof.

Any assets of the Company in the form of cash may be invested in certificates of deposit or banking investments issued by any Interested Party. Banking or similar transactions may also be undertaken with or through an Interested Party (provided it is licensed to carry out this type of activity).

There will be no obligation on the part of any Interested Party to account to Shareholders for any benefits so arising and any such benefits may be retained by the relevant party.

Any such transactions must be carried out as if effected on normal commercial terms negotiated at arm's length.

Notwithstanding anything to the contrary herein and unless otherwise provided for in a Special Section for a particular Sub-fund, the Management Company, the Investment Manager, the Investment Adviser(s) and their respective Affiliates may actively engage in transactions on behalf of other investment funds and accounts which involve the same securities and instruments in which the Sub-funds will invest. The Management Company, the Investment Manager, the Investment Adviser(s) and their respective Affiliates may provide investment management/advisory services to other investment funds and accounts that have Investment Objectives similar or dissimilar to those of the Sub-funds and/or which may or may not follow investment programs similar to the Sub-funds, and in which the Sub-funds will have no interest. The portfolio strategies of the Management Company, the Investment Manager, the Investment Adviser(s) and their respective Affiliates used for other investment funds or accounts could conflict with the transactions and strategies advised by the Management Company, the Investment Manager, the Investment Adviser(s) in managing a Sub-fund and affect the prices and availability of the securities and instruments in which such Sub-fund invests.

The Management Company, the Investment Manager, the Investment Adviser(s) and their respective Affiliates may give advice or take action with respect to any of their other clients which may differ from the advice given or the timing or nature of any action taken with respect to investments of a Sub-fund. The Management Company and the Investment Manager, the Investment Adviser(s) have no obligation to advise any investment opportunities to a Sub-fund which they may advise to other clients.

The Management Company, the Investment Manager and the Investment Adviser(s) will devote as much of their time to the activities of a Sub-fund as they deem necessary and appropriate. The Management Company, the Investment Manager, the Investment Adviser(s) and their respective Affiliates are not restricted from forming additional investment funds, from entering into other

investment advisory/management relationships, or from engaging in other business activities, even though such activities may be in competition with a Sub-fund. These activities will not qualify as creating a conflict of interest.

Additional considerations relating to conflicts of interest may be applicable, as the case may be, for a specific Sub-fund as further laid down in the relevant Special Section.

**PART B – SPECIAL SECTIONS**

## **SPECIAL SECTION 1 – BLUEORCHARD UCITS – EMERGING MARKETS SDG IMPACT BOND FUND**

This Special Section must be read in conjunction with the General Section of the Prospectus. This Special Section refers only to BlueOrchard UCITS – Emerging Markets SDG Impact Bond Fund (the **Sub-fund**).

### **1. INVESTMENT OBJECTIVE**

The Sub-fund's objective is to provide long-term capital appreciation and to enable investors to benefit from growth primarily in emerging markets bonds. The Sub-fund is not managed relative to a benchmark.

The Sub-fund aims to invest in the financing of financial institutions of various types involved in impact investment activities, across emerging and frontier markets. Said institutions may be involved in activities such as micro, small, and medium enterprise (MSME) lending, affordable housing, affordable education, health, agriculture, clean energy and humanitarian relief activities, among others.

There is no guarantee that the Investment Objective of the Sub-fund will be achieved.

### **2. INVESTMENT POLICY**

The Sub-fund will mainly invest in listed debt securities issued by companies including quasi sovereigns, predominantly financial institutions with significant impact activities headquartered in emerging countries, or having a majority of their assets or other interests in emerging countries, or conducting the majority of their activity in emerging markets or from emerging markets.

The debt securities may be with any credit rating, i.e., investment grade, high-yield and unrated (as measured by leading credit agencies or with quality considered as equivalent by the Investment Manager in the absence of any official rating). It is understood that the Investment Manager does not rely solely or mechanically on credit ratings of credit rating agencies and also applies its own analysis of the creditworthiness of issuers or debt issues. The Sub-fund may invest up to 100% of its net assets in high yield and unrated securities/issuers.

The Sub-fund will not invest in distressed debt securities, defaulted debt securities or contingent convertible bonds.

Except the focus on emerging countries, the exposure of the Sub-fund will not be limited to a particular sector of economic activity or a given currency. However, depending on market conditions, this exposure may be focused on one emerging country or on a limited number of emerging countries and/or one economic activity sector and/or one currency.

The Sub-fund may invest up to 49% of its net assets in any other type of eligible assets, such as UCIs, Money Market Instruments, equities and equity related securities and cash.

For hedging purposes, within the limits set out in the Investment Restrictions under Schedule 1, the Sub-fund may use all types of financial derivative instruments traded on a Regulated Market and/or OTC Derivatives provided they are contracted with leading financial institutions specialised in this type of transactions and subject to regulatory supervision.

The Sub-fund will not use EPM Techniques or TRS.

If the Investment Manager considers this to be in the best interest of the Shareholders, the Sub-fund may also, on a temporary basis and for defensive purposes, hold up to 100% of its net assets in liquidities, such as cash deposits, money market UCIs and Money Market Instruments.

The Sub-fund will not invest more than 10% of its assets in UCITS or other UCIs.

### **3. PROFILE OF THE TYPICAL INVESTOR**

3.1 The Sub-fund is directed towards Retail Investors and Institutional Investors. The Sub-fund is suitable for Investors wishing to invest in interest-bearing securities. It is expressly pointed out that changes in the Net Asset Value of the Sub-fund may be triggered by factors such as – but not restricted to – fluctuations in interest rates and/or currencies. The Sub-fund may be suitable for Investors with a long-term investment horizon, who are primarily seeking to accept relatively strong fluctuations and a relatively protracted decline in the Net Asset Value of the Shares. The Investors are aware of the principal risks involved in bond investments in emerging markets. Investors are aware that bond investments in these countries entail a higher risk. When redeeming their Shares, the Investors may therefore receive less than they originally paid for them.

3.2 Investors in the Sub-fund are aware that the following risks are particularly associated with an exposure to emerging markets, compared with conventional bonds (non-exhaustive list):

- liquidity problems
- price fluctuations
- currency fluctuations
- credit risks
- purchase and sales restrictions

3.3 Newly industrialising countries, emerging and frontier markets are still in the early stages of their development and may suffer from increased risks of expropriation, confiscation, high inflation rates, prohibitive tax measures, nationalisation and social, political and economic uncertainty. Investors in the Sub-fund are aware that these risks may lead to a severe reduction of the net asset value of the Sub-fund. Consequently, Investors must have a high risk tolerance.

### **4. GLOBAL RISK EXPOSURE**

The Sub-fund's global risk exposure is monitored by using the commitment approach. The Sub-fund will ensure that its total commitment arising from financial derivative instruments, for purposes other than hedging, does not exceed 100% of its net assets.

### **5. REFERENCE CURRENCY**

The Reference Currency of the Sub-fund is the USD.

### **6. SHARE CLASS HEDGING**

The Management Company has appointed a share class hedging adviser to provide services in relation to Class hedging transactions. In such capacity, the share class hedging adviser will be responsible for systematically hedging, to the extent possible, against the risk of exchange rate concerning all subscriptions for each Class, which are not denominated in the Reference Currency of the Sub-Fund. The costs associated with these services will be allocated to the respective Class which is hedged and shall not be borne by unhedged Classes, i.e. those denominated in the Reference Currency of the Sub-Fund.

## 7. NAV-FREQUENCY AND CUT-OFFS

<b>Cut-off times: (T-2)</b>	Subscription Cut-Off Time: 5 pm (Luxembourg time), two (2) Business Days before the Valuation Date.  Redemption Cut-Off Time: 5 pm (Luxembourg time), two (2) Business Days before the Valuation Date.
<b>Valuation Date: (T)</b> <sup>1</sup>	The 15th day of each month and the last Business Day of each month.  An indicative Net Asset Value per Share will be calculated and published on each Business Day for information purposes only. No subscriptions or redemptions will be accepted based on this indicative Net Asset Value per Share.
<b>Calculation Date: (T+1)</b>	One (1) Business Day following the Valuation Date
<b>Settlement Date: (T+3)</b>	Three (3) Business Days following the Valuation Date.

## 8. CLASSES AND FEES

For the time being, the following Classes are available for subscription by investors:

Class	Subscription Fee	Redemption Fee	Conversion fee	Management fee (max p.a.)	Operating and Administrative fee (max p.a.)
<b>Class P</b>	Up to 3%	Up to 3%	N/A	1.40%	0.30%
<b>Class D</b>	Up to 3%	Up to 3%	N/A	1.20%	0.30%
<b>Class I</b>	Up to 3%	Up to 3%	N/A	1%	0.25%
<b>Class S</b>	Up to 3%	Up to 3%	N/A	0.80%	0.25%
<b>Class BO</b>	Up to 3%	Up to 3%	N/A	N/A	0.25%
<b>Class H</b>	Up to 3%	Up to 3%	N/A	0.80%	0.30%
<b>Class G</b>	Up to 3%	Up to 3%	N/A	0.80%	0.30%
<b>Class J</b>	Up to 3%	Up to 3%	N/A	1%	0.30%

The complete list of Classes available for subscription including all Classes issued in Alternative Currencies is available on the web site: [www.blueorchard.com](http://www.blueorchard.com).

## 9. INVESTMENT MANAGEMENT FEE

The Investment Manager will be paid by an investment management fee by the Management Company. This fee is included in the Management Fee.

## 10. RISK FACTORS

In addition to the risk factors set out below, Shareholders should refer to the risk factors set out in Schedule 2 and in particular the following risks:

- (a) risks linked to investments in emerging markets;
- (b) risks linked to investments in debt securities; and
- (c) risks linked to investments in UCIs.

<sup>1</sup> If no NAV can be calculated as of such day (e.g. markets are closed), the immediately preceding Business Day is to be considered a Valuation Date.



## **PART C – SCHEDULES**

## SCHEDULE 1 – INVESTMENT RESTRICTIONS AND USE OF EPM TECHNIQUES

### 1. INVESTMENT RESTRICTIONS

The Company and the Sub-funds are subject to the restrictions and limits set forth below.

The management of the assets of the Sub-funds will be undertaken within the following investment restrictions. **A Sub-fund may be subject to additional investment restrictions set out in the relevant Special Section. In the case of any conflict, the provisions of the relevant Special Section will prevail.**

#### 1.1 Eligible Investments

- (a) The Company's investments may consist solely of:
- (i) Transferable Securities and Money Market Instruments admitted to official listing on a stock exchange in an EU Member State;
  - (ii) Transferable Securities and Money Market Instruments dealt on another Regulated Market;
  - (iii) Transferable Securities and Money Market Instruments admitted to official listing on a stock exchange or dealt in on another market in any country of Western or Eastern Europe, Asia, Oceania, the American continents or Africa;
  - (iv) new issues of Transferable Securities and Money Market Instruments, provided that:
    - (A) the terms of issue include an undertaking that application will be made for admission to official listing on any stock exchange or other Regulated Market referred to in Sections 1.1(a)(i), (ii) and (iii) of this Schedule;
    - (B) such admission is secured within a year of issue;
  - (v) units of UCIs within the meaning of Article 1, paragraph (2), points a) and b) of the UCITS Directive, whether situated in an EU Member State or not, provided that:
    - such UCIs are authorised under laws which provide that they are subject to supervision considered by the CSSF to be equivalent to that laid down in Community law, and that cooperation between authorities is sufficiently ensured;
    - the level of protection for unitholders in the UCIs is equivalent to that provided for share/unitholders in a UCITS, and in particular that the rules on assets segregation, borrowing, lending, and uncovered sales of Transferable Securities and Money Market Instruments are equivalent to the requirements of the UCITS Directive;
    - the business of the UCIs is reported in half-yearly and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period;
    - no more than 10% of the net assets of the UCI whose acquisition is contemplated, can, according to their fund rules or constitutional documents, be invested in aggregate in units of other UCIs;
  - (vi) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has

its registered office in an EU Member State or, if the registered office of the credit institution is situated in a non-EU Member State, provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law;

- (vii) financial derivative instruments, including equivalent cash-settled instruments, dealt in on a Regulated Market referred to in Sections 1.1(a)(i), (ii) and (iii) of this Schedule; and/or OTC Derivatives, provided that:
    - (A) the underlying consists of instruments covered by this Section 1.1(a), financial indices, interest rates, foreign exchange rates or currencies, in which a Sub-fund may invest according to its Investment Objectives as stated in the relevant Special Section,
    - (B) the counterparties to OTC Derivative transactions are First Class Institutions, and
    - (C) the OTC Derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company's initiative;
  - (viii) Money Market Instruments other than those dealt in on a Regulated Market if the issuer or issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and provided that they are:
    - (A) issued or guaranteed by a central, regional or local authority or central bank of an EU Member State, the European Central Bank, the EU or the European Investment Bank, a non-EU Member State or, in the case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more EU Member States belong; or
    - (B) issued by an undertaking, any securities of which are listed on a stock exchange or dealt in on Regulated Markets referred to in Sections 1.1(a)(i), (ii) or (iii) of this Schedule; or
    - (C) issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by EU law, or by an establishment which is subject to and complies with prudential rules considered by the CSSF to be at least as stringent as those laid down by EU law; or
    - (D) issued by other bodies belonging to the categories approved by the CSSF provided that investments in such instruments are subject to investor protection rules equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount to at least EUR10 million and which (i) presents and publishes its annual accounts in accordance with Directive 78/660/EEC, (ii) is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or (iii) is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.
- (b) However, each Sub-fund may:
- (i) invest up to 10% of its net assets in Transferable Securities and Money Market Instruments other than those referred to under Section 1.1(a) above; and
  - (ii) hold liquid assets for up to 49% of its net assets.

## 1.2 Risk diversification

- (a) In accordance with the principle of risk diversification, the Company is not permitted to invest more than 10% of the net assets of a Sub-fund in Transferable Securities or Money Market Instruments of one and the same issuer. The total value of the Transferable Securities and Money Market Instruments in each issuer in which more than 5% of the net assets are invested, must not exceed 40% of the value of the net assets of the respective Sub-fund. This limitation does not apply to deposits and OTC Derivative transactions made with financial institutions subject to prudential supervision.
- (b) The Company is not permitted to invest more than 20% of the net assets of a Sub-fund in deposits made with the same body.
- (c) Notwithstanding the individual limits laid down in Sections 1.2(a), 1.2(b) above and 1.7(j)(iii), a Sub-fund may not combine:
  - (i) investments in Transferable Securities or Money Market Instruments issued by a given single body,
  - (ii) deposits made with that single body, and/or
  - (iii) exposures arising from OTC Derivative transactions undertaken with that single body,in excess of 20% of its net assets.
- (d) The 10% limit set forth in Section 1.2(a) above can be raised to a maximum of 25% in case of certain bonds issued by credit institutions which have their registered office in an EU Member State and are subject by law, in that particular country, to specific public supervision designed to ensure the protection of bondholders. In particular the funds which originate from the issue of these bonds are to be invested, in accordance with the law, in assets which sufficiently cover the financial obligations resulting from the issue throughout the entire life of the bonds and which are allocated preferentially to the payment of principal and interest in the event of the issuer's failure. Furthermore, if investments by a Sub-fund in such bonds with one and the same issuer represent more than 5% of the net assets, the total value of these investments may not exceed 80% of the net assets of the corresponding Sub-fund.
- (e) The 10% limit set forth in Section 1.2(a) above can be raised to a maximum of 35% for Transferable Securities and Money Market Instruments that are issued or guaranteed by an EU Member State, a G20 Member State, or its local authorities, by another OECD Member State, Singapore, Hong-Kong or by public international organisations of which one or more EU Member States are members.
- (f) Transferable Securities and Money Market Instruments which fall under the special ruling given in Sections 1.2(d) and 1.2(e) above are not counted when calculating the 40% risk diversification ceiling mentioned in Section 1.2(a) above.
- (g) The limits provided for in Sections 1.2(a) to 1.2(e) above may not be combined, and thus investments in Transferable Securities or Money Market Instruments issued by the same body, in deposits or derivative instruments made with this body will under no circumstances exceed in total 35% of the net assets of a Sub-fund.
- (h) Companies which are included in the same group for the purposes of consolidated accounts, as defined in accordance with Directive 83/349/EEC or in accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the limits contained in this Section 1.2.

- (i) A Sub-fund may invest, on a cumulative basis, up to 20% of its net assets in Transferable Securities and Money Market Instruments of the same group.

### **1.3 Exceptions which can be made**

- (a) Without prejudice to the limits laid down in Section 1.6 below, the limits laid down in Section 1.2 are raised to a maximum of 20% for investment in shares and/or bonds issued by the same body if, according to the relevant Special Section, the Investment Objective and Policy of that Sub-fund is to replicate the composition of a certain stock or debt securities index which is recognised by the CSSF, on the following basis:

- (i) its composition is sufficiently diversified,
- (ii) the index represents an adequate benchmark for the market to which it refers,
- (iii) it is published in an appropriate manner.

The above 20% limit may be raised to a maximum of 35%, but only in respect of a single body, where that proves to be justified by exceptional market conditions in particular in Regulated Markets where certain Transferable Securities or Money Market Instruments are highly dominant.

- (b) The Company is authorised, in accordance with the principle of risk diversification, to invest up to 100% of the net assets of a Sub-fund in Transferable Securities and Money Market Instruments from various offerings that are issued or guaranteed by an EU Member State, a G20 Member State or its local authorities, by another OECD Member State, Singapore, Hong-Kong or by public international organisations in which one or more EU Member States are members. That Sub-fund must hold securities from at least six different issues, but securities from any one issue may not account for more than 30% of its net assets.

### **1.4 Investment in UCIs**

- (a) A Sub-fund may acquire the units of UCIs referred to in Section 1.1(a)(v) of this Schedule provided that no more than 20% of its net assets are invested in units of a single UCI. If a UCI has multiple Sub-funds (within the meaning of article 181 of the 2010 Act) and the assets of a Sub-fund may only be used to satisfy the rights of the investors relating to that Sub-fund and the rights of those creditors whose claims have arisen in connection with the setting-up, operation and liquidation of that Sub-fund, each Sub-fund is considered as a separate issuer for the purposes of applying the above limit.
- (b) Investments made in units of UCIs other than UCITS may not exceed, in aggregate, 30% of the net assets of the Sub-fund.
- (c) When a Sub-fund has acquired units of UCITS and/or other UCIs, the assets of the respective UCITS or other UCIs do not have to be combined for the purposes of the limits laid down in Section 1.2 above.
- (d) When a Sub-fund invests in the units of UCIs that are managed, directly or by delegation, by the same management company or by any other company with which the management company is linked by common management or control, or by a substantial direct or indirect holding, (regarded as more than 10% of the voting rights or share capital), that management company or other company may not charge subscription or redemption fees on account of the Sub-fund's investment in the units of such UCIs.
- (e) If a Sub-fund invests a substantial proportion of its assets in other UCIs, the maximum level of the management fees that may be charged both to the Sub-fund itself and to the other UCIs in which it intends to invest, will be disclosed in the relevant Special Section.

- (f) In the annual report of the Company it will be indicated for each Sub-fund the maximum proportion of management fees charged both to the Sub-fund and to the UCIs in which the Sub-fund invests.

### **1.5 Tolerances and multiple Sub-fund issuers**

If, because of reasons beyond the control of the Company or the exercising of subscription rights, the limits mentioned in this Section 1 are exceeded, the Company must have as a priority objective in its sale transactions to reduce these positions within the prescribed limits, taking into account the best interest of the Shareholders.

Provided that they continue to observe the principles of risk diversification, newly established Sub-funds may deviate from the limits mentioned under Sections 1.2, 1.3 and 1.4 above as well as from the limits set out in the Special Sections for a period of six months following the date of their initial launch.

To the extent permitted by applicable law, if an issuer of Eligible Investments is a legal entity with multiple Sub-funds and the assets of a Sub-fund may only be used to satisfy the rights of the investors relating to that Sub-fund and the rights of those creditors whose claims have arisen in connection with the setting-up, operation and liquidation of that Sub-fund, each Sub-fund is considered as a separate issuer for the purposes of applying the limits set forth under Sections 1.2 and 1.4, and 1.3(a) of this Schedule.

### **1.6 Investment prohibitions**

The Company is prohibited from:

- (a) acquiring equities with voting rights that would enable the Company to exert a significant influence on the management of the issuer in question;
- (b) acquiring more than
  - (i) 10% of the non-voting equities of one and the same issuer,
  - (ii) 10% of the debt securities issued by one and the same issuer,
  - (iii) 10% of the Money Market Instruments issued by one and the same issuer, or
  - (iv) 25% of the units of one and the same UCI.

The limits laid down in (ii), (iii), and (iv) may be disregarded at the time of acquisition if at that time the gross amount of the debt securities or of the Money Market Instruments, or the net amount of the securities in issue, cannot be calculated.

Transferable Securities and Money Market Instruments which, in accordance with article 48, paragraph 3 of the 2010 Act are issued or guaranteed by an EU Member State or its local authorities, by another OECD Member State or which are issued by public international organisations of which one or more EU Member States are members are exempted from the above limits.

- (c) selling short Transferable Securities, Money Market Instruments and other Eligible Investments mentioned under Sections 1.1(a)(v), (vii) and (viii) of this Schedule;
- (d) acquiring precious metals or related certificates;
- (e) investing in real estate and purchasing or selling commodities or commodities contracts;

- (f) borrowing on behalf of a particular Sub-fund, unless:
  - (i) the borrowing is in the form of a back-to-back loan for the purchase of foreign currency;
  - (ii) the loan is only temporary and does not exceed 10% of the net assets of the Sub-fund in question;
- (g) granting credits or acting as guarantor for third parties. This limitation does not refer to the purchase of Transferable Securities, Money Market Instruments and other Eligible Investments mentioned under Sections 1.1(a)(v), (vii) and (viii) that are not fully paid up.

### **1.7 Investments in financial derivative instruments and use of EPM Techniques**

- (a) The Company must employ (i) a risk-management process which enables it to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of the portfolio and (ii) a process for accurate and independent assessment of the value of OTC Derivatives.
- (b) Each Sub-fund will ensure that its global exposure relating to derivative instruments does not exceed the total net value of its portfolio.
- (c) The exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions. This will also apply to the following subparagraphs.
- (d) A Sub-fund may invest, as a part of its investment policy, in financial derivative instruments provided that the exposure to the underlying assets does not exceed in aggregate the investment limits laid down in paragraph 1.2. Under no circumstances will these operations cause a Sub-fund to diverge from its investment objectives as laid down in the Prospectus and the relevant Special Section. When a Sub-fund invests in index-based financial derivative instruments, these investments do not have to be combined to the limits laid down in paragraph 1.2.
- (e) When a Transferable Security or Money Market Instrument embeds a derivative, the latter must be taken into account when complying with the requirements of this Section.
- (f) The Company's annual reports will contain, in respect of each Sub-fund that has entered into financial derivative instruments over the relevant reporting period, details of:
  - (i) the underlying exposure obtained through financial derivative instruments;
  - (ii) the identity of the counterparty(ies) to these financial derivative instruments;
  - (iii) the type and amount of collateral received to reduce counterparty risk exposure.
- (g) The Sub-funds are authorised to employ techniques and instruments relating to Transferable Securities or Money Market Instruments subject to the following conditions:
  - (i) they are economically appropriate in that they are realised in a cost-effective way;
  - (ii) they are entered into for one or more of the following specific aims:
    - (A) reduction of risk;
    - (B) reduction of cost;

- (C) generation of additional capital or income for the relevant Sub-fund with a level of risk which is consistent with the its risk profile and applicable risk diversification rules;
- (iii) their risks are adequately captured by the Company's risk management process.
- (h) The Company and any of its Sub-funds may in particular enter into swap contracts relating to any financial instruments or indices, including TRS. TRS involve the exchange of the right to receive the total return, coupons plus capital gains or losses, of a specified reference asset, index or basket of assets against the right to make fixed or floating payments. As such, the use of TRS or other derivatives with similar characteristics allows gaining synthetic exposure to certain markets or underlying assets without investing directly (and/or fully) in these underlying assets.
- (i) The Company and any of its Sub-funds may employ SFT for reducing risks (hedging), generating additional capital or income or for cost reduction purposes. Any use of SFT and TRS for investment purposes will be in line with the risk profile and risk diversification rules applicable to any Sub-funds. Investors should refer to the risk factors in Schedule 2 for special risk considerations applicable to the use of SFT and TRS.
- (j) The efficient portfolio management techniques (**EPM Techniques**) that may be employed by the Sub-funds in accordance with the relevant Special Section of the Sub-funds include SFT that are subject to the conditions below:
  - (i) When entering into a Securities Lending agreement, the Company will ensure that it is able at any time to recall any security that has been lent out or terminate the Securities Lending agreement;
  - (ii) When entering into a reverse Repurchase Transaction agreement, the Company will ensure that it is able at any time to recall:
    - (A) the full amount of cash or to terminate the reverse Repurchase Transaction agreement on either an accrued basis or a mark-to-market basis. When the cash is recallable at any time on a mark-to-market basis, the mark-to-market value of the reverse Repurchase Transaction agreement should be used for the calculation of the net asset value of the relevant Sub-fund; and/or
    - (B) any securities subject to the Repurchase Transaction agreement or to terminate the Repurchase Transaction agreement into which it has entered.
  - (iii) Fixed-term Repurchase Transaction and reverse Repurchase Transaction agreements that do not exceed seven (7) days will be considered as arrangements on terms that allow the assets to be recalled at any time by the Company.
- (k) The Management Company takes into account these EPM Techniques when developing its liquidity risk management process in order to ensure that the Company is able to comply at any time with its redemption obligations.
- (l) The maximum and expected proportion of assets that may be subject to SFT or TRS, as well as the types of assets that are subject to SFT or TRS will be set out for each Sub-fund in the relevant Special Section. If a Sub-fund intends to make us of SFT or TRS, the relevant Special Section will include the disclosure requirements of the SFTR.
- (m) All revenues resulting from the EPM Techniques or TRS will be returned in full to the Company after deduction of the direct and indirect operational costs/fees of the Depositary and the Investment Manager. The fees of any agent involved in EPM Techniques or TRS may not exceed 20% of the



total income generated by these EPM Techniques or TRS. The remaining income will accrue to the relevant Sub-fund. None of the SFT Agents or counterparties to the OTC derivative transactions (including TRS) are affiliated with the Company or the Management Company.

- (n) The counterparties to SFTs and TRS will be selected and approved through a robust selection process and will be established in OECD Member States and have a minimum rating of BBB- or the equivalent by any leading rating agencies. The Management Company's risk management team will assess the creditworthiness of the proposed counterparties, their expertise in the relevant transactions, the costs of service and others factors related to best execution in line with the Management Company's execution policy.
- (o) Assets subject to SFT and TRS will be safe-kept by the Depositary.
- (p) The Company's annual report will include the following information:
  - (i) the exposure obtained through EPM Techniques;
  - (ii) the identity of the counterparty(ies) to these EPM Techniques;
  - (iii) the type and amount of collateral received by the Company to reduce counterparty exposure;
  - (iv) the revenues arising from EPM Techniques for the entire reporting period together with the direct and indirect operational costs and fees incurred;
  - (v) where collateral received from an issuer has exceeded 20% of the NAV of a Sub-fund, the identity of that issuer; and
  - (vi) whether a Sub-fund has been fully collateralised in securities issued or guaranteed by a Member State.
- (q) The Company's semi-annual and annual reports will further contain additional information on the use of SFTs and TRSs in line with Section A of the Annex of the SFTR.
- (r) The counterparty risk arising from OTC Derivatives and EPM Techniques may not exceed 10% of the assets of a Sub-fund when the counterparty is a credit institution domiciled in the EU or in a country where the CSSF considers that supervisory regulations are equivalent to those prevailing in the EU. This limit is set at 5% in any other case.
- (s) The counterparty risk of a Sub-fund vis-à-vis a counterparty is equal to the positive mark-to-market value of all OTC Derivatives and EPM Techniques transactions with that counterparty, provided that:
  - (i) if there are legally enforceable netting arrangements in place, the risk exposure arising from OTC Derivative and EPM Techniques transactions with the same counterparty may be netted; and
  - (ii) if collateral is posted in favour of a Sub-fund and such collateral complies at all times with the criteria set out in paragraph 1.8(a) below, the counterparty risk of such Sub-fund is reduced by the amount of such collateral.
- (t) Unless otherwise set out in a Special Section, none of the counterparties in OTC Derivative transactions will have discretion over the composition or management of the relevant Sub-fund's investment portfolio or over the assets underlying the relevant OTC Derivative.

- (u) The risks linked to the use of SFT and TRS as well as risks linked to collateral management, such as operational, liquidity, counterparty, custody and legal risks and, where applicable, the risks arising from its reuse are further described hereunder in Schedule 2.

### **1.8 Collateral policy for OTC Derivatives transactions, TRS and EPM techniques**

- (a) Collateral received by a Sub-fund may be must comply at all times with the following principles:
  - (i) Liquidity – any collateral received other than cash should be highly liquid and traded on a Regulated Market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation. Collateral received should also comply with the acquisition limits set out in Section 1.6(b) of this Schedule.
  - (ii) Valuation – collateral will be valued on a daily basis, using available market prices and taking into account appropriate discounts which will be determined for each asset class based on its haircut policy set out under item (f) to (i) below.
  - (iii) Issuer credit quality – collateral received should be of high quality.
  - (iv) Correlation – the collateral received by the Sub-fund should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty.
  - (v) Collateral diversification (asset concentration) – collateral should be sufficiently diversified in terms of country, markets and issuers. The criterion of sufficient diversification with respect to issuer concentration is considered to be respected if the Sub-fund receives from a counterparty of OTC Derivative or EPM Techniques transactions a basket of collateral with a maximum exposure to a given issuer of 20% of its net asset value. When a Sub-fund is exposed to different counterparties, the different baskets of collateral should be aggregated to calculate the 20% limit of exposure to a single issuer. By way of derogation, a Sub-fund may be fully collateralised in different Transferable Securities and Money Market Instruments issued or guaranteed by an EU Member State, one or more of its local authorities, a third country, or a public international body to which one or more EU Member States belong, provided the Sub-fund receives securities from at least six different issues and any single issue does not account for more than 30% of the Sub-fund's NAV. If a Sub-fund intends to make use of this possibility, this will be set out in relevant Special Section.
  - (vi) Risks linked to the management of collateral, such as operational and legal risks, should be identified, managed and mitigated by the risk management process.
  - (vii) Collateral received should be capable of being fully enforced by the Company for the account of the Sub-fund at any time without reference to or approval from the counterparty.
- (b) For the purpose of Section 1.8(a) above, all assets received by a Sub-fund in the context of EPM Techniques should be considered as collateral.
- (c) Non-cash collateral received by a Sub-fund may not be sold, re-invested or pledged.
- (d) Cash collateral received by a Sub-fund can only be:
  - (i) placed on deposit with credit institutions which either have their registered office in an EU Member State or are subject to prudential rules considered by the CSSF as equivalent to those laid down in Community law;
  - (ii) invested in high-quality government bonds;

- (iii) used for the purpose of reverse repo transactions provided the transactions are with credit institutions subject to prudential supervision and the Company is able to recall at any time the full amount of cash on accrued basis;
  - (iv) invested in Short-Term Money Market Funds as defined in the CESR Guidelines 10-049 on a Common Definition of European Money Market Funds.
- (e) Re-invested cash collateral will be diversified in accordance with the diversification requirements applicable to non-cash collateral.
- (f) Collateral posted in favour of a Sub-fund under a title transfer arrangement should be held by the Depositary or one of its correspondents or sub-custodians. Such collateral may be held by one of the Depositary's correspondents or sub-custodians provided that the Depositary has delegated the custody of the collateral to such correspondent or sub-custodian. Collateral posted in favour of a Sub-fund under a security interest arrangement (e.g., a pledge) can be held by a third party custodian which is subject to prudential supervision, and which is unrelated to the provider of the collateral.
- (g) In accordance with Circular 14/592, the Management Company has a haircut policy relating to the classes of assets received as collateral. The Management Company typically utilises cash and high-quality government bonds as collateral, but other permitted forms of collateral (with associated haircuts) may be utilised both with haircuts as set out under item (i) below. This policy takes into account a variety of factors, depending on the nature of the collateral received, such as the issuer's credit standing, the maturity, currency, price volatility of the assets and, where applicable, the outcome of liquidity stress tests carried out by the relevant Sub-fund under normal and exceptional liquidity conditions. No haircut will generally be applied to cash collateral.
- (h) In case of non-cash collateral, a haircut will be applied. Non-cash collateral will only be accepted if such non-cash collateral does not exhibit high price volatility. Shares will not be accepted as collateral.
- (i) For non-cash collateral, a haircut of at least 10% will be applied in the discretion of the Management Company.
- (j) A summary of the accepted types of collateral and the applied minimum haircut can be found below:

<b>Collateral type</b>	<b>Haircut</b>
Cash	0%
Money market instruments (A1/P1 rated)	10%
Bonds issued or guaranteed by a Member State of the OECD or their local authorities	10%
Supranational bonds	10%
Corporate bonds issued or guaranteed by issuers having a minimum short-term credit rating of BBB	10%

## **1.9 Investments between Sub-funds**

A Sub-fund (the **Investing Sub-fund**) may invest in one or more other Sub-funds. Any acquisition of Shares of another Sub-fund (the **Target Sub-fund**) by the Investing Sub-fund is subject to the following conditions:

- (i) the Target Sub-fund may not invest in the Investing Sub-fund;
- (ii) the Target Sub-fund may not invest more than 10% of its net assets in another Sub-fund;

- (iii) the voting rights attached to the Shares of the Target Sub-fund are suspended during the investment by the Investing Sub-fund; and
- (iv) the value of the Share of the Target Sub-fund held by the Investing Sub-fund are not taken into account for the purpose of assessing the compliance with the EUR1,250,000 minimum capital requirement.

## **SCHEDULE 2– GENERAL RISK FACTORS**

Before making an investment decision with respect to Shares of any Class in any Sub-fund, prospective investors should carefully consider all of the information set out in this Prospectus and the relevant Special Section, as well as their own personal circumstances. Prospective investors should have particular regard to, among other matters, the considerations set out in this Section and under the Sections "Specific risk factors" and "Profile of the typical investor" in the relevant Special Section. The risk factors referred to therein, and in this document, alone or collectively, may reduce the return on the Shares of any Sub-fund and could result in the loss of all or a proportion of a Shareholder's investment in the Shares of any Sub-fund. The price of the Shares of any Sub-fund can go down as well as up and their value is not guaranteed. Shareholders may not receive, at redemption or liquidation, the amount that they originally invested in any Class or any amount at all.

The risks may include or relate to equity markets, bond markets, foreign exchange rates, interest rates, credit risk, the use of derivatives, counterparty risk, market volatility and political risks. The risk factors set out in this Prospectus, the key investor information document and the relevant Special Section are not exhaustive. There may be other risks that a prospective investor should consider that are relevant to its own particular circumstances or generally.

An investment in the Shares of any Sub-fund is only suitable for investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom.

Before making any investment decision with respect to the Shares, prospective investors should consult their own stockbroker, bank manager, lawyer, solicitor, accountant and/or financial adviser and carefully review and consider such an investment decision in the light of the foregoing and the prospective investor's personal circumstances.

The Company is intended to be a medium to long-term investment vehicle (depending on the Investment Policy of the relevant Sub-funds). Shares may however, depending on the Sub-fund, be redeemed on each Valuation Date. Substantial redemptions of Shares by Shareholders within a limited period of time could cause the Company to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the value of both the Shares being redeemed and the outstanding Shares. In addition, regardless of the period of time in which redemptions occur, the resulting reduction in the Net Asset Value per Share could make it more difficult for the Company to generate trading profits or recover losses.

### **1. GENERAL RISKS**

#### **1.1 Future returns**

No assurance can be given that the strategies employed by the Management Company, the Investment Manager or the Investment Adviser(s) in the past to achieve attractive returns will continue to be successful or that the return on the Sub-funds' investments will be similar to that achieved by the Management Company, the Investment Manager or the Investment Adviser(s) in the past.

#### **1.2 Effects of redemptions**

Large redemptions of Shares within a limited period of time could require the Company to liquidate positions more rapidly than would otherwise be desirable, adversely affecting the value of both the Shares being redeemed and the outstanding Shares. In addition, regardless of the period of time over which redemptions occur, the resulting reduction in a Sub-fund's Net Asset Value could make it more difficult for the Management Company, the Investment Manager or the Investment Adviser(s) to generate profits or recover losses. Redemption proceeds paid by the Company to a redeeming

Shareholder may be less than the Net Asset Value of such Shares at the time a redemption request is made due to fluctuations in the Net Asset Value between the date of the request and the applicable Valuation Date.

### **1.3 Concentration risks**

Certain Sub-funds may concentrate their investments on certain geographic areas or sectors. Concentration of the investments of Sub-funds in any particular countries will mean that those Sub-funds may be more greatly impacted by adverse social, political or economic events which may occur in such countries. Similarly, Sub-funds concentrating their investments in companies of certain sectors will be subject to the risks associated with such concentration.

### **1.4 Credit risk**

The creditworthiness (solvency and willingness to pay) of an issuer of a security held by the Company may fall. Bonds or debt instruments involve a credit risk with regard to the issuers, for which the issuers' credit rating can be used as a benchmark. Bonds or debt instruments floated by issuers with a lower rating are generally viewed as securities with a higher credit risk and greater risk of default on the part of the issuers than those instruments that are floated by issuers with a better rating. If an issuer of bonds or debt instruments gets into financial or economic difficulties, this can affect the value of the bonds or debt instruments (this value could drop to zero) and the payments made on the basis of these bonds or debt instruments (these payments could drop to zero).

## **2. MARKET-RELATED RISKS**

### **2.1 General economic conditions**

The success of any investment activity is affected by general economic conditions, which may affect the level and volatility of interest rates and the liquidity of the markets for both equities and interest-rate-sensitive securities. Certain market conditions, including unexpected volatility or illiquidity in the market in which the Company directly or indirectly holds positions, could impair the Company's ability to achieve its objectives and/or cause it to incur losses.

### **2.2 Market risks**

The success of a significant portion of each Sub-funds' investment program will depend, to a great extent, upon correctly assessing the future course of the price movements of stocks, bonds, financial instruments and foreign currencies. There can be no assurance that the Management Company, the Investment Manager and the Investment Adviser(s) will be able to predict accurately these price movements.

### **2.3 Investing in fixed income securities**

Even though interest-bearing securities are investments which promise a defined stream of income, the prices of such securities generally are inversely correlated to changes in interest rates and, therefore, are subject to the risk of market price fluctuations. The values of fixed-income securities also may be affected by changes in the credit rating, liquidity or financial conditions of the issuer. Certain securities that may be purchased by the Company may be subject to such risk with respect to the issuing entity and to greater market fluctuations than certain lower yielding, higher rated fixed-income securities.

The volume of transactions effected in certain international bond markets may be appreciably below that of the world's largest markets. Accordingly, a Sub-fund's investments in such markets may be less liquid and their prices may be more volatile than comparable investments in securities traded in markets with larger trading volumes. The settlement periods in certain markets may be longer than in

others which may affect portfolio liquidity. Moreover, a Sub-fund may be permitted to invest into unlisted interest-bearing securities, which further reduces the liquidity and the volatility of their price.

#### **2.4 Risks in transactions in currencies**

In general, foreign exchange rates can be extremely volatile and difficult to predict. Foreign exchange rates may be influenced by, among other factors: changing supply and demand for a particular currency; trade, fiscal and monetary policies of governments (including exchange control programs, restrictions on local exchanges or markets and limitations on foreign investment in a country or on investment by residents of a country in other countries); political events; changes in balances of payments and trade; domestic and foreign rates of inflation; domestic and foreign rates of interest; international trade restrictions; and currency devaluations and revaluations. In addition, governments from time to time intervene, directly and by regulation, in the currency markets to influence prices directly. Variance in the degree of volatility of the market from the Management Company, the Investment Manager's and the Investment Adviser(s) expectations may produce significant losses to a Sub-fund, particularly in the case of transactions entered into pursuant to non-directional strategies.

#### **2.5 Lack of liquidity in markets**

Despite the heavy volume of trading in securities and other financial instruments, the markets for some securities and instruments have limited liquidity and depth. This limited liquidity and lack of depth could be a disadvantage to the Sub-funds, both in the realisation of the prices which are quoted and in the execution of orders at desired prices.

#### **2.6 Investments in emerging markets**

In certain countries, there is the possibility of expropriation of assets, confiscatory taxation, political or social instability or diplomatic developments which could affect investment in those countries. There may be less publicly available information about certain financial instruments than some investors would find customary and entities in some countries may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those to which certain investors may be accustomed. Certain financial markets, while generally growing in volume, have for the most part, substantially less volume than more developed markets, and securities of many companies are less liquid and their prices more volatile than securities of comparable companies in more sizeable markets. There are also varying levels of government supervision and regulation of exchanges, financial institutions and issuers in various countries. In addition, the manner in which foreign investors may invest in securities in certain countries, as well as limitations on such investments, may affect the investment operations of the Sub-funds.

Emerging country debt will be subject to high risk and will not be required to meet a minimum rating standard and may not be rated for creditworthiness by any internationally recognised credit rating organisation. The issuer or governmental authority that controls the repayment of an emerging country's debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. As a result of the foregoing, a government obligor may default on its obligations. If such an event occurs, the Company may have limited legal recourse against the issuer and/or guarantor. Remedies must, in some cases, be pursued in the courts of the defaulting party itself, and the ability of the holder of foreign government debt securities to obtain recourse may be subject to the political climate in the relevant country. In addition, no assurance can be given that the holders of commercial debt will not contest payments to the holders of other foreign government debt obligations in the event of default under their commercial bank loan agreements.

Settlement systems in emerging markets may be less well organised than in developed markets. Thus, there may be a risk that settlement may be delayed and that cash or securities of the Sub-funds may be in jeopardy because of failures or of defects in the systems. In particular, market practice may require that payment will be made prior to receipt of the security which is being purchased or that delivery of a security must be made before payment is received. In such cases, default by a broker or bank (the Counterparty) through whom the relevant transaction is effected might result in a loss being suffered by Sub-funds investing in emerging market securities.

The Company will seek, where possible, to use Counterparties whose financial status is such that this risk is reduced. However, there can be no certainty that the Company will be successful in eliminating this risk for the Sub-funds, particularly as Counterparties operating in emerging markets frequently lack the substance or financial resources of those in developed countries.

There may also be a danger that, because of uncertainties in the operation of settlement systems in individual markets, competing claims may arise in respect of securities held by or to be transferred to the Sub-funds. Furthermore, compensation schemes may be non-existent or limited or inadequate to meet the Company's claims in any of these events.

In some Eastern European countries there are uncertainties with regard to the ownership of properties. As a result, investing in Transferable Securities issued by companies holding ownership of such Eastern European properties may be subject to increased risk.

Furthermore, investments in Russia are currently subject to certain heightened risks with regard to the ownership and custody of securities. In Russia this is evidenced by entries in the books of a company or its registrar (which is neither an agent nor responsible to the Depositary). No certificates representing ownership of Russian companies will be held by the Depositary or any of its local correspondents or in an effective central depository system. As a result of this system and the lack of the effective state regulation and enforcement, the Company could lose its registration and ownership of Russian securities through fraud, negligence or even mere oversight. In addition, Russian securities have an increased custodial risk associated with them as such securities are, in accordance with market practice, held in custody with Russian institutions which may not have adequate insurance coverage to cover loss due to theft, destruction or default whilst such assets are in its custody.

Certain Sub-funds may invest a significant portion of their net assets in securities or corporate bonds issued by companies domiciled, established or operating in Russia as well as, as the case may be, in debt securities issued by the Russian government as more fully described for each relevant Sub-fund in its investment policy.

## **2.7 Investments in small capitalisation companies**

There are certain risks associated with investing in small cap stocks and the securities of small companies. The market prices of these securities may be more volatile than those of larger companies. Because small companies normally have fewer shares outstanding than larger companies it may be more difficult to buy and sell significant amounts of shares without affecting market prices. There is typically less publicly available information about these companies than for larger companies. The lower capitalisation of these companies and the fact that small companies may have smaller product lines and command a smaller market share than larger companies may make them more vulnerable to fluctuation in the economic cycle.

## **3. USE OF FINANCIAL DERIVATIVE INSTRUMENTS**

While the prudent use of financial derivative instruments can be beneficial, derivatives also involve risks different from, and, in certain cases, greater than, the risks presented by more traditional



investments. The following is a general discussion of important risk factors and issues concerning the use of derivatives that investors should understand before investing in a Sub-fund.

### **3.1 Market risk**

This is a general risk that applies to all investments meaning that the value of a particular derivative may change in a way which may be detrimental to a Sub-fund's interests.

### **3.2 Control and monitoring**

Derivative products are highly specialised instruments that require investment techniques and risk analysis different from those associated with equity and fixed income securities. The use of derivative techniques requires an understanding not only of the underlying assets of the derivative but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to a Sub-fund and the ability to forecast the relative price, interest rate or currency rate movements correctly.

### **3.3 Currency risk**

As part of an active currency policy, exposure to currencies may be hedged but investors should note that there is no guarantee that the exposure of the currency in which the Shares are invested can be fully or effectively hedged against the Reference Currency of the relevant Sub-fund. Investors should also note that the implementation of an active currency policy may, in certain circumstances, substantially reduce the benefit to Shareholders in the relevant Class (for instance, if the Reference Currency depreciates against the currency of the instrument in which the relevant Sub-fund is invested) and could thereby result in a decrease in the value of their shareholding.

### **3.4 Liquidity risk**

Liquidity risk exists when a particular instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid, it may not be possible to initiate a transaction or liquidate a position at an advantageous price (however, the Company will only enter into OTC Derivatives if it is allowed to liquidate such transactions at any time at fair value).

### **3.5 Counterparty risk**

The Sub-funds may enter into transactions in OTC markets, which will expose the Sub-funds to the credit of its counterparties and their ability to satisfy the terms of such contracts. For example, the Sub-funds may enter into swap arrangements or other derivative techniques as specified in the relevant Special Sections, each of which expose the Sub-funds to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of a bankruptcy or insolvency of a counterparty, the Sub-funds could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Company seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. There is also a possibility that the above agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated. However this risk is limited in view of the Investment Restrictions laid down in Schedule 1.

Certain markets in which the Sub-funds held by the Sub-funds may effect their transactions are over-the-counter or interdealer markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. To the extent a

Sub-fund invests in swaps, derivative or synthetic instruments, or other over-the-counter transactions, on these markets, such Sub-fund may take credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organisation guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections. This exposes the Sub-funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Sub-fund to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Company has concentrated its transactions with a single or small group of counterparties. In addition, in the case of a default, the respective Sub-fund could become subject to adverse market movements while replacement transactions are executed. The Sub-funds are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, the Sub-funds have no internal credit function which evaluates the creditworthiness of their counterparties. The ability of the Sub-funds to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a Regulated Market to facilitate settlement may increase the potential for losses by the Sub-funds.

### **3.6 Lack of availability**

Because the markets for certain derivative instruments (including markets located in foreign countries) are relatively new and still developing, suitable derivatives transactions may not be available in all circumstances for risk management or other purposes. Upon the expiration of a particular contract, the Company, the Management Company or an Investment Manager may wish to retain the respective Sub-fund's position in the derivative instrument by entering into a similar contract, but may be unable to do so if the counterparty to the original contract is unwilling to enter into the new contract and no other suitable counterparty can be found. There is no assurance that the Sub-funds will engage in derivatives transactions at any time or from time to time. The Sub-funds' ability to use derivatives may also be limited by certain regulatory and tax considerations.

### **3.7 Synthetic short selling**

Sub-funds may utilise synthetic short exposures through the use of cash settled derivatives such as swaps, futures and forwards in order to enhance their overall performance. A synthetic short sale position replicates the economic effect of a transaction in which a fund sells a security it does not own but has borrowed, in anticipation that the market price of that security will decline. When a Sub-fund initiates such a synthetic short position in a security that it does not own, it enters into a derivative-based transaction with a counterparty or broker-dealer and closes that transaction on or before its expiry date through the receipt or payment of any gains or losses resulting from the transaction. A Sub-fund may be required to pay a fee to synthetically short particular securities and is often obligated to pay over any payments received on such securities. Each Sub-fund maintains sufficiently liquid long positions in order to cover any obligations arising from its short positions. If the price of the security on which the synthetic short position is written increases between the time of the initiation of the synthetic short position and the time at which the position is closed, the Sub-fund will incur a loss; conversely, if the price declines, the Sub-fund will realise a short-term capital gain. Any gain will be decreased and any loss increased by the transactional costs described above. Although a Sub-fund's gain is limited to the price at which it opened the synthetic short position, its potential loss is theoretically unlimited. Stop loss policies are typically employed to limit actual losses, which would otherwise have to be covered by closing long positions.

### **3.8 Synthetic leverage**

A Sub-fund's portfolio may be leveraged by using derivative instruments (including OTC Derivatives) i.e. as a result of its transactions in the futures, options and swaps markets. A low margin deposit is required in futures trading and the low cost of carrying cash positions permit a degree of leverage, which may result in exaggerated profits or losses to an investor. A relatively small price movement in a futures position or the underlying instrument may result in substantial losses to the Sub-fund resulting in a similar decline to the Net Asset Value per Share. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the price of the futures contract or security underlying the option which the writer must purchase or deliver upon exercise of the option. Contracts for differences and swaps may also be used to provide synthetic short exposure to a stock - the risks associated with using swaps and contract for differences are more fully disclosed in Section 4 below.

## **4. USE OF SPECIFIC DERIVATIVE CONTRACTS**

The following only represents a limited choice of risks associated with derivatives the Sub-funds may elect to invest in. The Sub-funds are substantially unrestricted in their use of derivatives and may decide to use various other derivatives contracts associated with much higher or different risks, as the case may be.

### **4.1 Swap agreements**

Sub-funds may enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the Sub-funds' exposure to long-term or short-term interest rates, different currency values, corporate borrowing rates, or other factors such as without limitation security prices, baskets of equity securities or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The Sub-funds are not limited to any particular form of swap agreement if consistent with the respective Sub-fund's Investment Objective and policies. Swap agreements tend to shift the respective Sub-fund's investment exposure from one type of investment to another. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Sub-funds' portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Sub-funds.

Inter alia, in order to seek to reduce the interest rate risk inherent in the Sub-funds underlying investments especially associated with bonds and other fixed income investments, the Sub-funds may employ interest rate swaps or option transactions. Interest rate swaps involve the Sub-funds' agreement with the swap counterparty to pay a variable rate payment on a notional amount in exchange for the counterparty paying the Sub-funds a fixed rate payment on a notional amount that is intended to approximate the Sub-funds income on variable interest rates.

The use of interest rate swaps and options is a highly specialised activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. Depending on the state of interest rates, the respective Sub-fund's use of interest rate instruments could enhance or harm the overall performance on the Shares in the respective Sub-fund. To the extent there is an increase in interest rates, the value of the interest rate swap or option could go down, and could result in a decline in the Net Asset Value of the Shares. If interest rates are higher than the respective Sub-fund's fixed rate of payment on the interest rate swap, the swap will reduce the net earnings. If, on the other hand, interest rates are lower than the fixed rate of payment on the interest rate swap, the swap will enhance net earnings.

Interest rate swaps and options generally do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to interest rate swaps or options is limited to the net amount of interest payments that the Sub-funds are contractually obligated to make.

In addition, at the time the interest rate swap or option transaction reaches its scheduled termination date, there is a risk that the Sub-funds will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favourable as the terms of the expiring transactions. If this occurs, it could have a negative impact on the performance of the Shares in the respective Sub-fund.

#### **4.2 Call options**

There are risks associated with the sale and purchase of call options. The seller (writer) of a call option that is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security offset by the gain by the premium received if the option expires out of the money, and gives up the opportunity for gain on the underlying security above the exercise price of the option. If the seller of the call option owns a call option covering an equivalent number of shares with an exercise price equal to or less than the exercise price of the call written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered, unhedged call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying security, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security (if the market price of the underlying security declines).

#### **4.3 Put options**

There are risks associated with the sale and purchase of put options. The seller (writer) of a put option that is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sale price of the short position of the underlying security offset by the premium if the option expires out of the money, and thus the gain in the premium, and the option seller gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered, unhedged put option assumes the risk of a decline in the market price of the underlying security to zero.

The buyer of a put option assumes the risk of losing his entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

#### **4.4 Forward trading**

Each Sub-fund may invest in forward contracts and options thereon, which, unlike futures contracts, are not traded on exchanges, and are not standardised; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. For example, there are no requirements with respect to record-keeping, financial responsibility or segregation of customer funds or positions. In contrast to exchange-traded futures contracts, interbank traded instruments rely on the fulfilment by the dealer or counterparty of its contract. As a result, trading in unregulated exchange contracts may be subject to more risks than futures or options trading on regulated exchanges, including, but not limited to, the risk of default due to the failure of a counterparty with which the respective Sub-fund has forward contracts.

Although the Company seeks to trade with responsible counterparties, failure by a counterparty to fulfil its contractual obligation could expose the Company to unanticipated losses. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Sub-funds due to unusually high or low trading volume, political intervention or other factors. The imposition of credit controls by government authorities might also limit such forward trading to less than that which the Company, the Management Company or an Investment Manager would otherwise recommend, to the possible detriment of the Sub-funds.

#### **4.5 Performance swaps, interest rate swaps, currency swaps, credit default swaps and interest rate swaptions**

The Company, the Management Company or an Investment Manager may, as a part of the investment strategy of a Sub-fund, enter into performance swaps, interest rate swaps, currency swaps, credit default swaps and interest rate swaptions agreements. Interest rate swaps involve the exchange by a Sub-fund with another party of their respective commitments to pay or receive interest, such as an exchange of fixed rate payments for floating rate payments. Currency swaps may involve the exchange of rights to make or receive payments in specified currencies.

Where a Sub-fund enters into interest rate swaps on a net basis, the two payment streams are netted out, with each Sub-fund receiving or paying, as the case may be, only the net amount of the two payments. Interest rate swaps entered into on a net basis do not involve the physical delivery of investments, other underlying assets or principal. Accordingly, it is intended that the risk of loss with respect to interest rate swaps is limited to the net amount of interest payments that the Sub-fund is contractually obligated to make. If the other party to an interest rate swap defaults, in normal circumstances the Sub-fund's risk of loss consists of the net amount of interest that the Sub-fund is contractually entitled to receive. In contrast, currency swaps usually involve the delivery of the entire principal value of one designated currency in exchange for the other designated currency. Therefore, the entire principal value of a currency swap is subject to the risk that the other party to the swap will default on its contractual delivery obligations.

A Sub-fund may use credit default swaps. A credit default swap is a bilateral financial contract in which one counterparty (the protection buyer) pays a periodic fee in return for a contingent payment by the protection seller following a credit event of a reference issuer. The protection buyer must either sell particular obligations issued by the reference issuer for its par value (or some other designated reference or strike price) when a credit event (such as bankruptcy or insolvency) occurs or receive a cash settlement based on the difference between the market price and such reference price.

A Sub-fund may use credit default swaps in order to hedge the specific credit risk of some of the issuers in its portfolio by buying protection. In addition, a Sub-fund may buy protection under credit default swaps without holding the underlying assets.

A Sub-fund may also sell protection under credit default swaps in order to acquire a specific credit exposure.

A Sub-fund may also purchase a receiver or payer interest rate swaption contract. Swaptions are options on interest rate swaps. These give the purchaser the right, but not the obligation to enter into an interest rate swap at a preset interest rate within a specified period of time. The interest rate swaption buyer pays a premium to the seller for this right. A receiver interest rate swaption gives the purchaser the right to receive fixed payments in return for paying a floating rate of interest. A payer

interest rate swaption would give the purchaser the right to pay a fixed rate of interest in return for receiving a floating rate payment stream.

The use of interest rate swaps, currency swaps, credit default swaps and interest rate swaptions is a highly specialised activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. If the Company, the Management Company or an Investment Manager is incorrect in its forecasts of market values, interest rates and currency exchange rates, the investment performance of the Sub-fund would be less favourable than it would have been if these investment techniques were not used.

#### **4.6 Contracts for differences**

The Sub-funds may have an exposure in Contracts For Difference (**CFDs**). CFDs are synthetic instruments which mirror the profit (or loss) effect of holding (or selling) equities directly without buying the actual securities themselves. A CFD on a company's shares will specify the price of the shares when the contract was started. The contract is an agreement to pay out cash on the difference between the starting share price and the share price when the contract is closed. Accordingly, under such an instrument the relevant Sub-fund will make a profit if it has a purchase position and the price of the underlying security rises (and make a loss if the price of the underlying security falls). Conversely if the Sub-fund has a sale position, it will make a profit if the price of the underlying security falls (and make a loss if the price of the underlying security rises). As part of the normal market terms of trade the Company must comply with market participants terms and conditions and in particular initial margin has to be paid to cover potential losses (on set up) and variation margin on adverse price movements (during the term of the CFD). In addition it should be noted the relevant Sub-fund could suffer losses in event of the CFD issuer's default or insolvency.

#### **4.7 Other derivative instruments**

The Sub-funds may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the Investment Objective of the Sub-funds and legally permissible. Special risks may apply to instruments that are invested in by the Company in the future that cannot be determined at this time or until such instruments are developed or invested in by the Sub-funds. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

#### **4.8 Risks of options trading**

In seeking to enhance performance or hedge assets, the Sub-fund may use options. Both the purchasing and selling of call and put options entail risks. Although an option buyer's risk is limited to the amount of the purchase price of the option, an investment in an option may be subject to greater fluctuation than an investment in the underlying securities. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying security may fall below the exercise price.

#### **4.9 Investing in futures is volatile and involves a high degree of leverage**

Futures markets are highly volatile markets. The profitability of the Sub-fund will partially depend on the ability of the Company, the Management Company or an Investment Manager to make a correct analysis of the market trends, influenced by governmental policies and plans, international political and economic events, changing supply and demand relationships, acts of governments and changes in interest rates. In addition, governments may from time to time intervene on certain

markets, particularly currency markets. Such interventions may directly or indirectly influence the market. Given that only a small amount of margin is required to trade on futures markets, the operations of the managed futures portion of the Sub-fund will be characterised by a high degree of leverage. As a consequence, a relatively small variation of the price of a futures contract may result in substantial losses for the Sub-fund and a correlated reduction of the Net Asset Value of the Shares of the Sub-fund.

#### **4.10 Futures markets may be illiquid**

Most futures markets limit fluctuation in futures contracts prices during a single day. When the price of a futures contract has increased or decreased by an amount equal to the daily limit, positions can be neither taken nor liquidated unless the Board or an Investment Manager are willing to trade at or within the limit. In the past futures contracts prices have exceeded the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Sub-fund from promptly liquidating unfavourable positions and thus subject the Sub-fund to substantial losses. In addition, even if the prices do not get close to such limits, the Sub-fund may be in a position not to obtain satisfying prices if the volumes traded on the market are insufficient to meet liquidation requests. It is also possible that a stock exchange, the Commodity Futures Trading Commission in the United States or another similar institution in another country suspends the listing of a particular contract, instructs the immediate liquidation of the contract or limits transactions on a contract to the sole transactions against delivery.

#### **4.11 Options on futures**

The Company may engage in the management of options, in particular options on futures contracts. Such management carries risks similar to the risks inherent to the uncovered management of futures contracts on commodities as far as such options are volatile and imply a high degree of leverage. The specific movements of the commodities and futures contracts markets, which represent the underlying assets of the options may not be predicted with precision. The buyer of an option may lose the entire purchase price of the option. The seller of an option may lose the difference between the premium received for the option and the price of the commodity or of the futures contract underlying the option that the seller must buy or deliver, upon the exercise of the option.

#### **4.12 TRS**

Because it does not involve physically holding the securities, synthetic replication through total return (or unfunded swaps) and fully-funded swaps can provide a means to obtain exposure to difficult-to-implement strategies that would otherwise be very costly and difficult to have access to with physical replication. Synthetic replication therefore involves lower costs than physical replication. Synthetic replication however involves counterparty risk. If the Sub-Fund engages in OTC Derivatives, there is the risk – beyond the general counterparty risk – that the counterparty may default or not be able to meet its obligations in full. Where the Company and any of its Sub-Funds enters into TRS on a net basis, the two payment streams are netted out, with Funds or each Sub-Fund receiving or paying, as the case may be, only the net amount of the two payments. TRSs entered into on a net basis do not involve the physical delivery of investments, other underlying assets or principal. Accordingly, it is intended that the risk of loss with respect to TRSs is limited to the net amount of the difference between the total rate of return of a reference investment, index or basket of investments and the fixed or floating payments. If the other party to a TRS defaults, in normal circumstances the Company's or relevant Sub-Fund's risk of loss consists of the net amount of total return payments that the Company or Sub-Fund is contractually entitled to receive.

#### **4.13 Other risks**

Other risks in using derivatives include the risk of differing valuations of derivatives arising out of different permitted valuation methods and the inability of derivatives to correlate perfectly with

underlying securities, rates and indices. Many derivatives, in particular OTC Derivatives, are complex and often valued subjectively and the valuation can only be provided by a limited number of market professionals which often are acting as counterparties to the transaction to be valued. Inaccurate valuations can result in increased cash payment requirements to counterparties or a loss of value to a Sub-fund. However, this risk is limited as the valuation method used to value OTC Derivatives must be verifiable by an independent auditor.

Derivatives do not always perfectly or even highly correlate or track the value of the securities, rates or indices they are designed to track. Consequently, a Sub-fund's use of derivative techniques may not always be an effective means of, and sometimes could be counterproductive to, following a Sub-fund's Investment Objective.

## **5. EPM TECHNIQUES/SFTS**

A Sub-Fund may enter into Repurchase Transaction agreements and reverse Repurchase Transaction agreements as a buyer or as a seller subject to the conditions and limits set out in Section 1.7 of Schedule 1. If the other party to a Repurchase Transaction agreement or reverse Repurchase Transaction agreement should default, the Sub-Fund might suffer a loss to the extent that the proceeds from the sale of the underlying securities and/or other collateral held by the Sub-Fund in connection with the Repurchase Transaction agreement or reverse Repurchase Transaction agreement are less than the repurchase price or, as the case may be, the value of the underlying securities. In addition, in the event of bankruptcy or similar proceedings of the other party to the Repurchase Transaction agreement or reverse Repurchase Transaction agreement or its failure otherwise to perform its obligations on the repurchase date, the Sub-Fund could suffer losses, including loss of interest on or principal of the security and costs associated with delay and enforcement of the Repurchase Transaction agreement or reverse Repurchase Transaction agreement.

A Sub-Fund may enter into Securities Lending transactions subject to the conditions and limits set out in Section 1.7 of Schedule 1. If the other party to a Securities Lending transaction should default, the Sub-Fund might suffer a loss to the extent that the proceeds from the sale of the collateral held by the Sub-Fund in connection with the Securities Lending transaction are less than the value of the securities lent. In addition, in the event of the bankruptcy or similar proceedings of the other party to the Securities Lending transaction or its failure to return the securities as agreed, the Sub-Fund could suffer losses, including loss of interest on or principal of the securities and costs associated with delay and enforcement of the Securities Lending agreement.

The Sub-Funds will only use Repurchase Transaction agreements, reverse Repurchase Transaction agreements or Securities Lending transactions for the purpose of either reducing risks (hedging) or generating additional capital or income for the relevant Sub-Fund. When using such techniques, the Sub-Funds will comply at all times with the provisions set out in Section 1.7 of Schedule 1. The risks arising from the use of Repurchase Transaction agreements, reverse Repurchase Transaction agreements and Securities Lending transactions will be closely monitored and techniques (including collateral management) will be employed to seek to mitigate those risks.

A Sub-fund may also incur a loss in reinvesting cash collateral received. Such a loss may arise due to a decline in the value of the investments made. A decline in the value of such investments would reduce the amount of collateral available to be returned by the Sub-fund to the counterparty as required by the terms of the transaction. The Sub-fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the Sub-fund.

Securities lending, repurchase or reverse repurchase transactions also entail operational risks such as the non-settlement or delay in settlement of instructions and legal risks related to the documentation used in respect of such transactions.



The Company may enter into securities lending, repurchase or reverse repurchase transactions with other companies. Affiliated counterparties, if any, will perform their obligations under any securities lending, repurchase or reverse repurchase transactions concluded with the Company in a commercially reasonable manner. In addition, the Investment Manager will select counterparties and enter into transactions in accordance with best execution and at all times in the best interests of the respective Sub-Fund and its Shareholders. However, Shareholders should be aware that the Investment Manager may face conflicts between its role and its own interests or that of affiliated counterparties

The use of EPM Techniques, in particular with respect to the quality of the collateral received and/or reinvested, may lead to several risks such as liquidity risk, counterparty risk, issuer risk, valuation risk and settlement risk, which can have an impact on the performance of the Sub-Fund concerned.

The use of Repurchase Transaction agreements, reverse Repurchase Transaction agreements and Securities Lending transactions is generally not expected to have a material adverse impact on a Sub-Fund's performance or risk profile, subject to the above described risk factors.

## **6. USE OF STRUCTURED FINANCE SECURITIES**

Structured finance securities include, without limitation, securitised credit and portfolio credit-linked notes.

Securitised credit is securities primarily serviced, or secured, by the cash flows of a pool of receivables (whether present or future) or other underlying assets, either fixed or revolving. Such underlying assets may include, without limitation, residential and commercial mortgages, leases, credit card receivables as well as consumer and corporate debt. Securitised credit can be structured in different ways, including "true sale" structures, where the underlying assets are transferred to a special purpose entity, which in turn issues the asset-backed securities, and "synthetic" structures, in which not the assets, but only the credit risks associated with them are transferred through the use of derivatives, to a special purpose entity, which issues the securitised credit.

Portfolio credit-linked notes are securities in respect of which the payment of principal and interest is linked directly or indirectly to one or more managed or unmanaged portfolios of reference entities and/or assets ("reference credits"). Upon the occurrence of a credit-related trigger event ("credit event") with respect to a reference credit (such as a bankruptcy or a payment default), a loss amount will be calculated (equal to, for example, the difference between the par value of an asset and its recovery value).

Securitised credit and portfolio credit-linked notes are usually issued in different tranches: Any losses realised in relation to the underlying assets or, as the case may be, calculated in relation to the reference credits are allocated first to the securities of the most junior tranche, until the principal of such securities is reduced to zero, then to the principal of the next lowest tranche, and so forth.

Accordingly, in the event that (a) in relation to securitised credit, the underlying assets do not perform and/or (b) in relation to portfolio credit-linked notes, any one of the specified credit events occurs with respect to one or more of the underlying assets or reference credits, this may affect the value of the relevant securities (which may be zero) and any amounts paid on such securities (which may be zero). This may in turn affect the Net Asset Value per Share. In addition the value of structured finance securities from time to time, and consequently the Net Asset Value per Share, may be adversely affected by macro-economic factors such as adverse changes affecting the sector to which the underlying assets or reference credits belong (including industry sectors, services and real estate), economic downturns in the respective countries or globally, as well as circumstances related to the nature of the individual assets (for example, project finance loans are subject to risks connected to the respective project). The implications of such negative effects thus depend heavily on the geographic, sector-specific and type-related concentration of the underlying assets or

reference credits. The degree to which any particular asset-backed security or portfolio credit-linked note is affected by such events will depend on the tranche to which such security relates; junior tranches, even having received investment grade rating, can therefore be subject to substantial risks.

Exposure to structured finance securities may entail a higher liquidity risk than exposure to sovereign bonds which may affect their realisation value.

## **7. FIXED-INTEREST SECURITIES**

Investment in securities of issuers from different countries and denominated in different currencies offer potential benefits not available from investments solely in securities of issuers from a single country, but also involve certain significant risks that are not typically associated with investing in the securities of issuers located in a single country. Among the risks involved are fluctuations in currency exchange rates and the possible imposition of exchange control regulations or other laws or restrictions applicable to such investments. A decline in the value of a particular currency in comparison with the Reference Currency of the Company would reduce the value of certain portfolio securities that are denominated in the former currency. The following risks may also be associated with fixed-interest securities:

Issuers are generally subject to different accounting, auditing and financial reporting standards in different countries throughout the world. The volume of trading, volatility of prices and liquidity of issuers may differ between the markets of different countries. In addition, the level of government supervision and regulation of securities exchanges, securities dealers and listed and unlisted companies differs from one country to another. The laws of some countries may limit the Company's ability to invest in securities of certain issuers.

Different markets also have different clearing and settlement procedures. Delays in settlement could result in temporary periods when a portion of the assets of a Sub-fund is uninvested and no return is earned thereon. The inability of the Company to make intended security purchases due to settlement problems could cause a Sub-fund to miss attractive investment opportunities. Inability to dispose of portfolio securities due to settlement problems could result either in losses to a Sub-fund due to subsequent declines in value of the portfolio security or, if a Sub-fund has entered into a contract to sell the security, could result in possible liability to the purchaser.

An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, may fluctuate independently of each other.

## **8. HIGH-YIELD SECURITIES**

Sub-funds may invest in high-yield securities. Such securities are generally not exchange traded and, as a result, these instruments trade in a smaller secondary market than exchange-traded bonds. In addition, each Sub-fund may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments (neither Sub-fund is required to hedge, and may choose not to do so). High-yield securities that are below investment grade or unrated face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such

economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

**9. RISK ASSOCIATED WITH DEBT SECURITIES ISSUED PURSUANT TO RULE 144A UNDER THE SECURITIES ACT OF 1933**

SEC Rule 144A provides a safe harbour exemption from the registration requirements of the Securities Act of 1933 for resale of restricted securities to qualified institutional buyers, as defined in the rule. The advantage for investors may be higher returns due to lower administration charges. However, dissemination of secondary market transactions in rule 144A securities is restricted and only available to qualified institutional buyers. This might increase the volatility of the security prices and, in extremes conditions, decrease the liquidity of a particular rule 144A security.

**10. EQUITIES**

The risks associated with investments in equity (and equity-type) securities include significant fluctuations in market prices, adverse issuer or market information and the subordinate status of equity in relation to debt paper issued by the same company. Potential investors should also consider the risk attached to fluctuations in exchange rates, possible imposition of exchange controls and other restrictions.

**11. FINANCIAL FAILURE OF INTERMEDIARIES**

There is always the possibility that the institutions, including brokerage firms and banks, with which the Sub-funds do business, or to which securities have been entrusted for custodial purposes, will encounter financial difficulties that may impair their operational capabilities or result in losses to the Company.

**12. SPECIFIC RESTRICTIONS IN CONNECTION WITH THE SHARES**

Investors should note that there may be restrictions in connection with the subscription, holding and trading in the Shares. Such restrictions may have the effect of preventing the investor from freely subscribing, holding or transferring the Shares. In addition to the features described below, such restrictions may also be caused by specific requirements such as a Minimum Subscription Amount or due to the fact that certain Sub-funds may be closed to additional subscriptions after the Initial Subscription Period or Initial Subscription Date.

**13. TAXATION**

Shareholders should be aware that they may be required to pay income tax, withholding tax, capital gains tax, wealth tax, stamp taxes or any other kind of tax on distributions or deemed distributions of a Sub-fund, capital gains within a Sub-fund, whether or not realised, income received or accrued or deemed received within a Sub-fund etc., and this will be according to the laws and practices of the country where the Shares are purchased, sold, held or redeemed and in the country of residence or nationality of the Shareholder.

Shareholders should be aware of the fact that they might have to pay taxes on income or deemed income received by or accrued within a Sub-fund. Taxes might be calculated based on income received and/or deemed to be received and/or accrued in a Sub-fund in relation to their direct investments, whereas the performance of a Sub-fund, and subsequently the return Shareholders receive after redemption of the Shares, might partially or fully depend on the performance of underlying assets. This can have the effect that the investor has to pay taxes for income or/and a performance which he does not, or does not fully, receive.

Shareholders who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, Shareholders should be aware that tax regulations and their application or interpretation by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment, which will apply at any given time.

**14. LACK OF OPERATING HISTORY**

The Company will be a newly formed entity, with no operating history upon which to evaluate the Company (or its Sub-funds') likely performance. There is no guarantee that the Company or any Sub-fund will realise its investment objectives, that the Investments will have low correlation with each other or that Shareholders will receive any return on, or the return of, their invested capital.

**15. POLITICAL FACTORS**

The performance of the Shares or the possibility to purchase, sell, or redeem may be affected by changes in general economic conditions and uncertainties such as political developments, changes in government policies, the imposition of restrictions on the transfer of capital and changes in regulatory requirements.

**16. SPECIFIC RESTRICTIONS IN CONNECTION WITH THE SHARES**

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**17. CHANGE OF LAW**

The Company must comply with regulatory constraints, such as a change in the laws affecting the investment restrictions and limits applicable to UCITS, which might require a change in the investment policy and objectives followed by a Sub-fund.

**18. INVESTMENTS IN UNDERLYING UCIS**

A Sub-fund may, subject to the conditions set out in Schedule 1, invest in other UCIs. Shareholders in those Sub-funds will, in addition to the fees, costs and expenses payable by a Shareholder in the Sub-funds, also indirectly bear a portion of the fees, costs and expenses of the underlying UCIs, including management, investment management and, administration and other expenses. However, when a Sub-fund invests in underlying UCIs that are managed, directly or by delegation, by the same management company or by any other company with which the management company is linked by common management or control, or by a substantial direct or indirect holding, (regarded as more than 10% of the voting rights or share capital), that management company or other company may not charge subscription or redemption fees on account of the Sub-fund's investment in the underlying UCIs.

It is possible that certain underlying UCIs may invest in the same security or in issues of the same asset class, industry, currency, country or commodity at the same time. Accordingly, there can be no assurance that effective diversification of the Sub-fund's portfolio will always be achieved.

## **19. TRANSACTION COSTS**

Where a Sub-fund does not adjust its subscription and redemption prices by an amount representing the duties and charges associated with buying or selling underlying assets this will affect the performance of that Sub-fund.

## **20. GENERAL ECONOMIC CONDITIONS**

The success of any investment activity is affected by general economic conditions, which may affect the level and volatility of interest rates and the liquidity of the markets for both equities and interest-rate-sensitive securities. Certain market conditions, including unexpected volatility or illiquidity in the market in which the Company directly or indirectly holds positions, could impair the Company's ability to achieve its objectives and/or cause it to incur losses.

## **21. INDEMNITIES**

Certain Service Providers of a Sub-fund and their directors, managers, officers and employees may benefit from an indemnification under the relevant Service Agreement and could therefore, in certain circumstances, be indemnified out of the relevant Sub-fund's assets against liabilities, costs, expenses (including, e.g., legal expenses) incurred by reason of such person or entity providing services to the relevant Sub-fund. In principle, however, indemnification clauses will generally contain carve outs in relation to acts or omissions that incur, e.g., gross negligence, fraud, wilful default or reckless disregard.

## **22. EXCHANGE RATES**

Investors in the Shares should be aware that an investment in the Shares may involve exchange rate risks. For example (i) a Sub-fund may have direct or indirect exposure to a number of different currencies of emerging market or developed countries; (ii) a Sub-fund may invest in securities or other eligible assets denominated in currencies other than the Sub-fund's Reference Currency; (iii) the Shares may be denominated in a currency other than the currency of the investor's home jurisdiction; and/or (iv) the Shares may be denominated in a currency other than the currency in which an investor wishes to receive his monies. Exchange rates between currencies are determined by factors of supply and demand in the international currency markets, which are influenced by macro economic factors (such as the economic development in the different currency areas, interest rates and international capital movements), speculation and central bank and government intervention (including the imposition of currency controls and restrictions). Fluctuations in exchange rates may affect the value of the Shares.

## **23. INTEREST RATE**

Investors in the Shares should be aware that an investment in the Shares may involve interest rate risk in that there may be fluctuations in the currency of denomination of securities or other eligible assets in which a Sub-fund invests the Shares.

Interest rates are determined by factors of supply and demand in the international money markets which are influenced by macro-economic factors, speculation and central bank and government intervention. Fluctuations in short term and/or long term interest rates may affect the value of the Shares. Fluctuations in interest rates of the currency in which the Shares are denominated and/or fluctuations in interest rates of the currency or currencies in which the securities or other eligible assets in which a Sub-fund invests are denominated may affect the value of the Shares.

## **24. MARKET VOLATILITY**

Market volatility reflects the degree of instability and expected instability of the securities or other eligible assets in which a Sub-fund invests, the performance of the Shares, or the techniques used to link the net proceeds of any issue of Shares to OTC Derivatives underlying asset(s), where applicable. The level of market volatility is not purely a measurement of the actual volatility, but is largely determined by the prices for instruments which offer investors protection against such market volatility. The prices of these instruments are determined by forces of supply and demand in the options and derivatives markets generally. These forces are, themselves, affected by factors such as actual market volatility, expected volatility, macro-economic factors and speculation.

## **25. CREDIT RISK**

Investors in the Shares should be aware that such an investment may involve credit risk. Bonds or other debt securities involve credit risk to the issuer which may be evidenced by the issuer's credit rating. Securities which are subordinated and/or have a lower credit rating are generally considered to have a higher credit risk and a greater possibility of default than more highly rated securities. In the event that any issuer of bonds or other debt securities experiences financial or economic difficulties, this may affect the value of the relevant securities (which may be zero) and any amounts paid on such securities (which may be zero). This may in turn affect the Net Asset Value per Share.