KITE FUND SICAV

Société d'Investissement à Capital Variable

20, Boulevard Emmanuel Servais, L-2535 Luxembourg

R.C.S. Luxembourg under number B 171 354

(the **« Fund »**)

The Board of Directors of the "Fund" wishes to inform the shareholder of the Sub-Funds KITE FUND SICAV - TOTAL RETURN (hereafter the "Sub-Fund") as follows:

As from the 01.07.2016 the Sub Funds will not be managed any more by Pharus Management S.A. Via Pollini, 7 CH – 6850 Mendrisio Switzerland.

As of this date the Management Company will perform the Investment management function without any further sub-delegation.

This change will not lead to any increase of fees for the shareholders of the Sub-Funds as the investment manager fees of Pharus Management S.A. will be allocated as of the 01 of July 2016 to the Management Company and not to Pharus Management S.A. anymore.

Further the investment policy of the Sub Fund will change as from the 29th of July 2016 as highlighted in track change modus below:

In order to achieve the investment objective, the portfolio of the Sub-Fund will be invested:

• from **51%** and up to **100**% in bonds (e.g. ordinary bonds, subordinated bonds, convertible bonds, cum warrant bonds, etc...) of any type of corporate and government issuers world-wide located and in other similar debt securities, including treasury bills and treasury bonds;

• up to **49**% in equity and equity-linked transferable securities (both listed and unlisted) of world-wide located companies;

• up to **49**% in Money Market Instruments;

• up to **49**% in UCITS, Exchange Traded Fund (qualifying as UCITS) and UCIs (within the limits set forth by the Law).

~~Investments in structured notes (such as, by way of example, ABS, RMBS, CDOs, CLOs) are not allowed.~~

The Sub-Fund may also enter into derivative contracts both for hedging purposes (typically forward agreements to hedge currency risks) as well as for investment purposes. The derivatives used will include but will not be limited to:

- forwards
- futures
- plain-vanilla options
- contracts for difference (CFDs)

The Sub-Fund may invest not more than 20% of its assets in structured notes with embedded derivatives (such as but not limited to Credit Linked Notes (CLN), Credit Default Swaps (CDS), Collateralised Loan Obligations (CLOs)) and Asset Backed Securities (ABS) and Mortgage Backed Securities (MBS) (such as but not limited to Residential Mortgage-Backed Security RMBS and Commercial Mortgage-Backed Securities (CMBS))

The investments in structured notes embedding derivatives will always be made in compliance with the grand-ducal regulation dated 8 February 2008 and article 41 (1) of the 2010 Law and the underlying of such structured products embedding derivatives will always comply and fulfil the criteria of art. 2.1 and 2.2 of the grand-ducal regulation dated 8 February 2008 and article 41 (1) of the 2010 Law.

The majority of ABS/MBS instruments that the Sub-Fund will invest in are AAA-rated.

ABS are securities collateralized by assets other than mortgages.

The most common types of ABS are collateralized by credit card receivables, home equity loans, manufactured homes and automobile loans and are typically structured as pass through or as structures with multiple bond classes, like a collateralized mortgage obligations (CMO).

Credit enhancement can take the form of over collateralization, a letter of credit, a third party guaranty, or a senior/subordinated structure.

MBS are securities whose source of repayment is a mortgage or pool of mortgages, or whose repayments are collateralized by a mortgage or pool of mortgages.

MBS include, but are not limited to, agency and non-agency pass through and collateralized mortgage obligations (CMOs and RMBS).

A majority of the MBS sector is comprised of Agency pass through (issued by FNMA, GNMA or FHLMC) – pass through are AAA rated, extremely liquid and is among the largest sectors of the US bond market.

MBS include mortgage pass-through securities, collateralized mortgage obligations (CMOs are debt obligations of a legal entity that are collateralised by mortgages.

They are typically rated by a rating agency and registered with the SEC and are structured into multiple classes, often referred to as “tranches”, with each class bearing a different stated maturity and entitled to a different schedule for payments of principal and interest, including pre-payments), commercial mortgage-backed securities, mortgage dollar rolls, CMO residuals (which are mortgage securities issued by agencies or instrumentalities of the US Government or by private originators or of, or investors in, mortgage loans, including savings and loan associations, homebuilders, mortgage banks, commercial banks, investment banks, partnerships, trusts and special purpose entities of the foregoing), stripped mortgage-backed securities (“SMBSs”) and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property.

Investments in such securities carry the risk of default of the underlying collateral. Moreover the scheduled amortization plan is subject to a certain degree of uncertainty due to the uncertainty in the timing of the cash flows of the underlying collateral.

Liquidity may be limited during times of market stress.

Furthermore, the Sub-Fund may be subject to other risks. Indeed, rising interest rates tend to extend the duration of mortgage-related securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, a Sub-Fund that holds mortgage-related securities may exhibit additional volatility. This is known as extension risk.

In addition, mortgage-related securities are subject to prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns of a Sub-Fund because the Sub-Fund will have to reinvest that money at the lower prevailing interest rates.

The value of some mortgage- or asset-backed securities may be particularly sensitive to changes in prevailing interest rates. Early repayment of principal on some mortgage-related securities may expose a Sub-Fund to a lower rate of return upon re-investment of principal. When interest rates rise, the value of a mortgage-related security generally will decline; however, when interest rates are declining, the value of mortgage-related securities with prepayment features may not increase as much as other fixed Income Securities.

The rate of prepayments on underlying mortgages will affect the price and volatility of a mortgage-related security, and may shorten or extend the effective maturity of the security beyond what was anticipated at the time of purchase. If unanticipated rates of prepayment on underlying mortgages increase the effective maturity of a mortgage-related security, the volatility of the security can be expected to increase. The value of these securities may fluctuate in response to the market’s perception of the creditworthiness of the issuers.

Additionally, although mortgages and mortgage-related securities are generally supported by some form of government or private guarantee and/or insurance, there is no assurance that private guarantors or insurers will meet their obligations.

Further the Sub-Fund may invest in total return swaps and credit default swaps on single name, basket of names and credit indices (such as the ITRAXX and CDX indices).

Cash Borrowing of up to 10 % of the Sub-Fund`s net assets can be undertaken in a secured or unsecured basis provided that such borrowings are made only on a temporarily basis.
The Sub-Fund will only enter into credit default swaps where the credit default swap counterparty is a credit institution of the type set forth under section 3.1.A1 V of the general part of the prospectus which has experience in such transactions.
In case of credit default swaps, the investment restrictions shall apply to the credit default swap counterparty and to the underlying reference entity.

The global risk exposure (calculated through the “Commitment Approach”) to markets linked and deriving from these derivative contracts may not exceed the Net Asset Value of the Sub-Fund.
The Sub-Fund may also use techniques and instruments in accordance with the rules set out in CSSF Circular 08/356 as amended from time to time and in accordance with the paragraph 3.4.2 “Other Special Investment Techniques and Instruments”.

~~The Sub-Fund for the time being will not engage in securities lending transactions, neither enter into OTC financial derivative transaction nor any other efficient portfolio management techniques nor any repurchase agreements.~~

The Sub-Fund may accessorily hold liquid assets in all currencies in which investments are effected as well as in the currency of its respective Share Class(es).

Short selling (net short positions) is not allowed in accordance with Regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps.

In light of the aforementioned change Shareholders of the Sub-Fund may redeem their shares free of charge during one month following the publication of the present notice.

The Prospectus of the Fund reflecting the above determinations can be obtained free of any charges, at the Registered Office of the Fund and/or at the Registered Office of the Management Company.

The relevant KIIDs and the Prospectus are also available at the website of the Management Company: http://www.pharusmanco.lu and at the website of the Fund: www.pharusfunds.com.

Shareholders having any question relating to this notice should not hesitate to contact their financial advisor or Pharus Management Lux S.A.

Luxembourg, 29th of June 2016

Yours faithfully

The Board of Directors