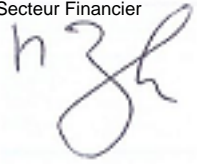


**VISA 2019/156788-8724-0-PC**

L'apposition du visa ne peut en aucun cas servir  
d'argument de publicité

Luxembourg, le 2019-06-21

Commission de Surveillance du Secteur Financier



**Emerald SICAV**

*Société d'Investissement à Capital Variable*

**Prospectus**

**May 2019**

Emerald SICAV (the "**Company**") is registered under part I of the Luxembourg law of 17 December 2010 concerning undertakings for collective investment, as may be amended from time to time (the "**2010 Law**"). The Company qualifies as an Undertaking for Collective Investment in Transferable Securities under the 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 as amended from time to time including by means of Directive 2014/91/EU as regards depositary functions, remuneration policies and sanctions (the "**Directive**"). The Company is under collective portfolio management of Pharus Management Lux S.A. pursuant to chapter 15 of the Law.

The Shares (as such term is defined below) have not been registered under the United States Securities Act of 1933 and may not be offered directly or indirectly in the United States of America (including its territories and possessions) to nationals or residents thereof or to persons normally resident therein, or to any partnership or persons connected thereto unless pursuant to any applicable statute, rule or interpretation available under United States law.

The distribution of this Prospectus in other jurisdictions may also be restricted; persons into whose possession this Prospectus comes are required to inform themselves about and to observe any such restrictions. This document does not constitute an offer by anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer.

Any information or representation given or made by any person which is not contained herein or in any other document which may be available for inspection by the public should be regarded as unauthorised and should accordingly not be relied upon. Neither the delivery of this Prospectus nor the offer, issue or sale of Shares in the Company shall under any circumstances constitute a representation that the information given in this Prospectus is correct as at any time subsequent to the date of this Prospectus.

All references herein to times and hours are to Luxembourg local time.

## **Data Protection**

In compliance with the Luxembourg applicable data protection laws and regulations, including but not limited to the Regulation n°2016/679 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 ("**GDPR**"), as such applicable laws and regulations may be amended from time to time (collectively hereinafter referred to as the **Data Protection Laws**), the Company, acting as data controller (the "**Data Controller**") processes personal data in the context of the investments in the Company. The term "processing" in this section has the meaning ascribed to it in the Data Protection Laws.

### **➤ CATEGORIES OF PERSONAL DATA PROCESSED**

Any personal data as defined by the Data Protection Laws (including but not limited to the name, e-mail address, postal address, date of birth, marital status, country of residence, identity card or passport, tax identification number and tax status, contact and banking details including account number and account balance, resume, invested amount and the origin of the funds) relating to (prospective) investors who are individuals and any other natural persons involved in or concerned by the Company's professional relationship with investors, as the case may be, including but not limited to any representatives, contact persons, agents, service providers, persons holding a power of attorney, beneficial owners and/or any other related persons (each a "**Data Subject**") provided in connection

with (an) investment(s) in the Company (hereinafter referred to as the “**Personal Data**”) may be processed by the Data Controller.

#### ➤ **PURPOSES OF THE PROCESSING**

The processing of Personal Data may be made for the following purposes (the “**Purposes**”):

**a) For the performance of the contract to which the investor is a party or in order to take steps at the investor’s request before entering into a contract**

This includes, without limitation, the provision of investor-related services, administration of the shareholdings in the Company, handling of subscription, redemption and conversion orders, maintaining the register of shareholders, management of distributions, sending of notices, information and communications and more generally performance of service requests from and operations in accordance with the instructions of the investor.

The provision of Personal Data for this purpose:

- has a contractual nature or is a requirement necessary for the Company to enter into a contractual relationship with the investor; and
- is mandatory;

**b) For compliance with legal and/or regulatory obligations**

This includes (without limitation) compliance:

- with legal and/or regulatory obligations such as obligations on anti-money laundering and fight against terrorism financing, obligations on protection against late trading and market timing practices, accounting obligations;
- with identification and reporting obligations under foreign account tax compliance act (“**FATCA**”) and other comparable requirements under domestic or international exchange tax information mechanism such as the Organisation for Economic Co-operation and Development (“**OECD**”) and EU standards for transparency and automatic exchange of financial account information in tax matters (“**AEOI**”) and the common reporting standard (“**CRS**”) (hereinafter collectively referred to as “**Comparable Tax Regulations**”). In the context of FATCA and/or Comparable Tax Regulations, the Personal Data may be processed and transferred to the Luxembourg tax authorities who, in turn and under their control, may transfer such Personal Data to the competent foreign tax authorities, including, but not limited to, the competent authorities of the United States of America;
- with requests from, and requirements of, local or foreign authorities.

The provision of Personal Data for this purpose has a statutory/regulatory nature and is mandatory. In addition to the consequences mentioned at the end of this point 2, not providing Personal Data in this context may also result in incorrect reportings and/or tax consequences for the investor;

**c) For the purposes of the legitimate interests pursued by the Company**

This includes the processing of Personal Data for risk management and for fraud prevention purposes, improvement of the Company’s services, disclosure of Personal Data to Processors (as defined below) for the purpose of effecting the processing on the Company’s behalf. The Company may also use Personal Data to the extent required for preventing or facilitating the settlement of any claims, disputes or litigations, for the exercise of its rights in case of claims, disputes or litigations or for the protection of rights of another natural or legal person.

The provision of Personal Data for this purpose:

- has a contractual nature or is a requirement necessary for the Company to enter into a contractual relationship with the investor; and
- is mandatory;

**and/or**

**d) For any other specific purpose to which the Data Subject has consented**

This covers the use and further processing of Personal Data where the Data Subject has given his/her explicit consent thereto, which consent may be withdrawn at any time, without affecting the lawfulness of processing based on consent before its withdrawal.

**Not providing Personal Data for the Purposes under items a) to c) hereabove or the withdrawal of consent under item d) hereabove may result in the impossibility for the Company to accept the investment in the Company and/or to perform investor-related services, or ultimately in termination of the contractual relationship with the investor.**

➤ **DISCLOSURE OF PERSONAL DATA TO THIRD PARTIES**

The Personal Data may be transferred by the Company, in compliance with and within the limits of the Data Protection Laws, to its delegates, service providers or agents, such as (but not limited to) the Management Company, the Domiciliary Agent, the Auditor, other entities directly or indirectly affiliated with the Company and any other third parties who process the Personal Data for providing their services to the Company, acting as data processors (collectively hereinafter referred to as “**Processors**”).

Such Processors may in turn transfer Personal Data to their respective agents, delegates, service providers, affiliates, such as (but not limited to) the Administrative Agent, the Registrar and Transfer Agent, the Global Distributor, acting as sub-processors (collectively hereinafter referred to as “**Sub-Processors**”).

Personal Data may also be shared with service providers processing them on their own behalf as data controllers and third parties as may be required by applicable laws and regulations (including but not limited to administrations, local or foreign authorities (such as competent regulator, tax authorities, judicial authorities, etc)).

Personal Data may be transferred to any of these recipients in any jurisdiction including outside of the European Economic Area (“**EEA**”). The transfer of Personal Data outside of the EEA may be made to countries ensuring (based on the European Commission’s decision) an adequate level of protection or to other countries not ensuring such adequate level of protection. In the latter case, the transfer of Personal Data will be protected by appropriate or suitable safeguards in accordance with Data Protection Laws, such as standard contractual clauses approved by the European Commission. The Data Subject may obtain a copy of such safeguards by contacting the Company.

➤ **RIGHTS OF THE DATA SUBJECTS IN RELATION TO THE PERSONAL DATA**

Under certain conditions set out by the Data Protection Laws and/or by applicable guidelines, regulations, recommendations, circulars or requirements issued by any local or European competent authority, such as the Luxembourg data protection authority (the *Commission Nationale pour la*

*Protection des Données* – “CNPD”) or the European Data Protection Board, each Data Subject has the rights:

- to access his/her Personal Data and to know, as the case may be, the source from which his/her Personal Data originate and whether they came from publicly accessible sources;
- to ask for a rectification of his/her Personal Data in cases where they are inaccurate and/or incomplete,
- to ask for a restriction of processing of his/her Personal Data,
- to object to the processing of his/her Personal Data,
- to ask for erasure of his/her Personal Data, and
- to data portability with respect to his/her Personal Data.

Further details regarding the above rights are provided for in Chapter III of GDPR and in particular articles 15 to 21 of GDPR.

No automated decision-making is conducted.

To exercise the above rights and/or withdraw his/her consent regarding any specific processing to which he/she has consented, the Data Subject may contact the Company’s data protection officer at the following address: [info@pharusmanco.lu](mailto:info@pharusmanco.lu)

In addition to the rights listed above, should a Data Subject consider that the Company does not comply with the Data Protection Laws, or has concerns with regard to the protection of his/her Personal Data, the Data Subject is entitled to lodge a complaint with the CNPD.

#### ➤ **INFORMATION ON DATA SUBJECTS RELATED TO THE INVESTOR**

To the extent the investor provides Personal Data regarding Data Subjects related to him/her/it (e.g. representatives, beneficial owners, contact persons, agents, service providers, persons holding a power of attorney, etc.), the investor acknowledges and agrees that: (i) such Personal Data has been obtained, processed and disclosed in compliance with any applicable laws and regulations and its/his/her contractual obligations; (ii) the investor shall not do or omit to do anything in effecting this disclosure or otherwise that would cause the Company, the Processors and/or Sub-Processors to be in breach of any applicable laws and regulations (including Data Protection Laws); (iii) the processing and transferring of the Personal Data as described herein shall not cause the Company, the Processors and/or Sub-Processors to be in breach of any applicable laws and regulations (including Data Protection Laws); and (iv) without limiting the foregoing, the investor shall provide, before the Personal Data is processed by the Company, the Processors and/or Sub-Processors, all necessary information and notices to such Data Subjects concerned, in each case as required by applicable laws and regulations (including Data Protection Laws) and/or its/his/her contractual obligations, including information on the processing of their Personal Data as described in this data protection section. The investor will indemnify and hold the Company, the Processors and/or Sub-Processors harmless for and against all financial consequences that may arise as a consequence of a failure to comply with the above requirements.

#### ➤ **DATA RETENTION PERIOD**

Personal Data will be kept in a form which permits identification of Data Subjects for at least a period of ten (10) years after the end of the financial year to which they relate or any longer period as may be imposed or permitted by applicable laws and regulations, in consideration of the legal limitation periods (including for litigation purposes).

➤ **RECORDING OF TELEPHONE CONVERSATIONS**

Investors, including the Data Subjects related to him/her/it (who will be individually informed by the investors in turn) are also informed that for the purpose of serving as evidence of commercial transactions and/or any other commercial communications and then preventing or facilitating the settlement of any disputes or litigations, their telephone conversations with and/or instructions given to the Company, the Management Company, the Depositary Bank, the Domiciliary Agent, the Administrative Agent, the Registrar and Transfer Agent, and/or any other agent of the Company may be recorded in accordance with applicable laws and regulations. These recordings are kept during a period of seven (7) years or any longer period as may be imposed or permitted by applicable laws and regulations, in consideration of the legal limitation periods (including for litigation purposes). These recordings shall not be disclosed to any third parties, unless the Company, the Management Company, the Depositary Bank, the Domiciliary Agent, the Administrative Agent, the Registrar and Transfer Agent and/or any other agent of the Company is/are compelled 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.

## **DIRECTORY**

Emerald SICAV  
Société d'Investissement à Capital Variable

### **Registered Office:**

5, allée Scheffer  
L-2520 Luxembourg,  
Grand-Duchy of Luxembourg  
R.C.S.: B 203047

### **Board of Directors**

#### Chairman

- Paolo Bennici

Seal Consulting SA  
Via Nassa, 5  
6900 Lugano - CH

#### Directors

- Sergio Bindi

Compagnie de Gestion Privée Monégasque  
8 Boulevard des Moulins  
98000 Monaco

- Davide Pasquali

Pharus Management S.A.,  
Suisse  
Via Pollini, 7  
CH-6850 – Mendrisio (Switzerland)

### **Management Company**

Pharus Management Lux S.A.,  
16, avenue de la Gare  
L-1610 Luxembourg  
Grand Duchy of Luxembourg  
R.C.S.: B 169.798

### Board of Directors of the Management Company

#### ***Chairman:***

Davide Berra

Pharus Management S.A., Suisse  
Via Pollini, 7  
CH-6850 – Mendrisio  
Switzerland

***Directors:***

Davide Pasquali

Director,  
Pharus Management S.A., Suisse  
Via Pollini, 7  
CH-6850 – Mendrisio  
Switzerland

Sebastiano Musumeci

Director  
Pharus Management S.A., Suisse  
Via Pollini, 7  
CH-6850 – Mendrisio  
Switzerland

**Investment Manager**

CGM Compagnie de Gestion Privée Monegasque  
8, Boulevard des Moulins  
Escalier des Fleurs 98000 Monte-Carlo  
Monaco  
R.C.S 2000-03

**Depositary**

CACEIS Bank, Luxembourg Branch  
5, allée Scheffer  
L-2520 Luxembourg  
Grand Duchy of Luxembourg  
R.C.S.: B 91985

**Administration Agent**

CACEIS Bank, Luxembourg Branch  
5, allée Scheffer  
L-2520 Luxembourg  
Grand Duchy of Luxembourg  
R.C.S.: B 91985

**Auditor**

Deloitte Audit  
560, rue de Neudorf  
L-2220 Luxembourg



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## 1. DEFINITIONS

The following summary is qualified in its entirety by reference to the more detailed information included elsewhere in this Prospectus.

<b>Administration Agent</b>	CACEIS Bank, Luxembourg Branch, acting as registrar and transfer agent, and administration agent as further described below
<b>Articles</b>	the articles of association of the Company, as amended from time to time
<b>AML Regulations</b>	the Luxembourg law of 27 October 2010 relating to the fight against money-laundering and the financing of terrorism, the law of 12 November 2004 on the fight against money laundering and terrorist financing (as amended), and associated Grand Ducal, Ministerial and CSSF Regulations and the circulars of the CSSF applicable as amended from time to time
<b>Appendix/Appendices</b>	an appendix/appendices to this Prospectus
<b>Auditor</b>	<i>réviseur d'entreprises agréé</i> (approved statutory auditor) within the meaning of the Law
<b>Board of Directors</b>	the board of directors of the Company
<b>Business Day</b>	a full business day on which banks and Eligible Markets in Luxembourg, which is opened and any day on which TARGET 2 is open for the settlement of payments in Euro
<b>CCAF</b>	Commission de Contrôle des Activités Financières, the Monegasque authority supervising the financial sector
<b>Class(es)</b>	within each Compartment (as defined below) separate classes of Shares which the Board of Directors may decide to issue from time to time, whose assets will be commonly invested but where a specific sales or redemption charge structure, fee structure, minimum investment amount, taxation, distribution policy, hedging policy or other feature may be applied
<b>Class Currency</b>	the currency by reference to which the Net Asset Value of each specific Class of Shares is expressed
<b>Compartments</b>	a specific portfolio of assets and liabilities within the Company having its own net asset value and represented by a separate Class or Classes of Shares, which are distinguished mainly by their specific investment policy and objective and/or by the currency in which they are denominated. The specifications of each Compartment are described in the relevant Appendix to this Prospectus
<b>CSSF</b>	the <i>Commission de Surveillance du Secteur Financier</i> , the Luxembourg authority supervising the financial sector
<b>Cut-off</b>	a deadline (as further specified in the Appendices) before which applications for subscription, redemption, or conversion

of Shares of any Class in any Compartment must be received by the Administration Agent in relation to a Valuation Day. For the avoidance of doubt, cut-off times are stated in the Luxembourg time zone (UTC + 1)

<b>Depository</b>	CACEIS Bank, Luxembourg Branch, 5, <i>allée Scheffer</i> , L-2520 Luxembourg acting as depository bank in the meaning of the Law and paying and domiciliary agent
<b>Directive or UCITS Directive</b>	the Directive 2009/65/EC of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, as amended from time to time including by means of Directive 2014/91/EU as regards depository functions, remuneration policies and sanctions
<b>Distributors</b>	Authorized financial professionals entrusted as the case may be with the promotion, the marketing and distribution activities of the Company's Shares, as further described below.
<b>Eligible Market</b>	a Regulated Market in an Eligible State
<b>Eligible State</b>	any Member State or any other state in (Eastern and Western) Europe, Asia, Africa, Australia, North and South America and Oceania, as determined by the Board of Directors
<b>EU</b>	the European Union
<b>FATCA Rules</b>	the Intergovernmental Agreement (IGA) entered into between the Luxembourg and US Governments on March 2014, the forthcoming Luxembourg Law transposing the IGA, as well as to the extent relevant, provisions of the US Foreign Account Tax Compliance (this definition will need to be adjusted when the IGA will be transposed into national laws)
<b>FATF</b>	Financial Action Task Force (also referred to as <i>Groupe d'Action Financière</i> )
<b>Investment Manager</b>	the investment manager appointed by the Management Company with the consent of the Company (as the case may be)
<b>Issue Price</b>	the price per Share at which each Class of Shares of the relevant Compartment are issued on a Valuation Day
<b>Institutional Investors</b>	investors which are credit institutions, investment firms, other authorised or regulated financial institutions, insurance undertakings and reinsurance undertakings, collective investment schemes and their management companies, pension funds and management companies of such funds, Commodity and commodity derivatives dealers, local firms as defined in Article 3(1)(p) of Directive 2006/49/EC, large undertakings, national and regional governments, public bodies that manage public debt, central banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations,

	institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions
<b>KIID</b>	the key investor information document as defined by the Law and applicable laws and regulations
<b>2010 Law or Law</b>	the law of 17 December 2010 concerning undertakings for collective investments, as may be amended from time to time including by means of the Luxembourg law of 10 May 2016 transposing Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions
<b>Listing and Clearing</b>	Shares may be listed on the Luxembourg Stock Exchange or any other Regulated Market at the discretion of the Board of Directors and can be cleared through Clearstream Banking or Euroclear or other central depositories
<b>Management Company</b>	Pharus Management Lux S.A., a Luxembourg public company ( <i>société anonyme</i> ) appointed to act as the management company of the Company pursuant to Chapter 15 of the Law
<b>Member State</b>	a member state as defined in the Law
<b>NAV or Net Asset Value</b>	the net asset value of the relevant Compartment or Class of Shares, as applicable
<b>Placement Agents</b>	entities active in the placement of Shares which are not sub-distributors appointed by the Company
<b>Redemption Price</b>	price at which Shares are redeemed (before deduction of any charges, costs, expenses or taxes)
<b>Reference Currency</b>	the currency by reference to which the Net Asset Value of each Compartment is calculated, as such is specified in the relevant Appendix
<b>Regulated Market</b>	a market within the meaning of Article 4(1)14 of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC and any other market which is regulated, operates regularly and is recognised and open to the public
<b>Settlement Day</b>	the Business Day by which payment of Subscriptions and Redemptions must occur at the latest

<b>Shares</b>	a share of any Class of any Compartment in the capital of the Company, the details of which are being specified in the Appendices respectively
<b>Shareholder(s)</b>	holders of Shares
<b>Sub-distributors</b>	entities active in the placement or public distribution of Shares which are sub-distributors appointed by the Distributors
<b>Total Expense Ratio or TER</b>	ratio of the gross amount of the expenses to their average net assets
<b>UCI</b>	undertaking for collective investment within the meaning of the first and second indent of Article 1 (2) of the Directive, whether situated in a Member State or not
<b>UCITS</b>	undertaking for collective investment in transferable securities as defined in the Directive and the Law
<b>UCITS Rules</b>	the set of rules formed by the Directive and any derived or connected EU or national act, statute, regulation, circular or binding guidelines, including but not limited to the Luxembourg law of 10 May 2016 transposing Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions and amending the law of 17 December 2010 relating to undertakings for collective investment, as amended, and the law of 12 July 2013 on alternative investment fund managers, as amended, and the Circular CSSF 14/587 (as amended by Circular CSSF 16/644 setting out provisions applicable to credit institutions acting as depositaries of UCITS subject to Part I of the law of 17 December 2010 relating to undertakings for collective investment and to all UCITS, as the case may be, represented by their management company
<b>Underlying Asset</b>	the asset(s) in which the Compartment may invest in accordance with its investment policy as described in the relevant Appendix of each Compartment
<b>Valuation Day</b>	<p>Business Day on which the net asset value per Share is calculated, as detailed in the relevant Appendix of each Compartment</p> <p>The Board of Directors may in its absolute discretion amend the Valuation Day for some or all of the Compartments. In such case the Shareholders of the relevant Compartment(s) will be duly informed beforehand and the relevant Appendix will also be updated accordingly prior to implementation of the change</p>

## 2. THE COMPANY

### 2.1 The Company

The Company is an investment company organised as a *société anonyme* under the laws of the Grand-Duchy of Luxembourg and qualifies as a *société d'investissement à capital variable (SICAV)* subject to Part I of the Law, with an "umbrella" structure comprising different Compartments. The Company was incorporated on 9 December 2015. The Company is registered with the *Registre de Commerce et des Sociétés* of Luxembourg under number B 203047. The articles of incorporation were published in the Luxembourg legal gazette (*Mémorial C Recueil des Sociétés et Associations*) on 19 January 2016. The minimum capital of the Company required by Luxembourg law shall be 1,250,000 EUR.

The assets and liabilities of each Compartment, as further described under Section 11.3. "Allocation of Assets and Liabilities among the Compartments", shall be segregated from the assets and liabilities of those of the other Compartments, with creditors having recourse only to the assets of the Compartment concerned and where the liabilities cannot be satisfied out of the assets of another Compartment. As between the Shareholders and creditors, each Compartment will be deemed to be a separate entity.

The Board of Directors may, at any time, decide on the creation of further Compartments and in such case, the Appendices will be updated.

The Company may, within each Compartment, issue different Classes of Shares whose assets will be commonly invested pursuant to the specific investment policy of the relevant Compartment.

### 2.2 The Management Company

The Company has appointed Pharus Management Lux S.A. to serve as its designated Management Company in accordance with the Law pursuant to a management company agreement dated 9 December 2015 (the "**Management Company Agreement**"). Under this agreement, the Management Company provides collective portfolio management services in accordance with the Law of and as specified in the management company agreement, subject to the overall supervision and control of the Board of Directors of the Company.

As provided in Annex II of the Law, these services encompass the following tasks:

- Portfolio management
- Administration:
  - legal and fund management accounting services;
  - customer inquiries;
  - valuation of the portfolio and pricing of the units (including tax returns);
  - regulatory compliance monitoring;
  - maintenance of unitholder register;
  - distribution of income;
  - unit issue and repurchase;
  - contract settlements (including certificate dispatch);
  - record keeping.
- Marketing.

The Management Company was incorporated as a public company (*société anonyme*) under the laws of the Grand-Duchy of Luxembourg on 3 July 2012, by notarial deed published in the *Mémorial* on 9 July 2012. The notarial deed was deposited with the Registrar of the District Court of Luxembourg under the number R.C.S. B 169.798. The articles of incorporation of the Management Company were last amended on 11 July 2014 December 2014.



Its registered capital is set at three-hundred fifty thousand euro (EUR 350,000) divided into three hundred and fifty (350) registered Shares, with a nominal value of one thousand euro (EUR 1,000), each fully paid up.

The Management Company is authorised and supervised by the CSSF pursuant to Chapter 15 of the Law.

The Management Company Agreement is concluded for an indefinite period of time and may be terminated by either party upon three months' prior written notice or forthwith by notice in writing in the specific circumstances provided in such agreement.

In consideration of its services, the Management Company is entitled to receive fees as indicated hereinafter.

The Management Company may delegate certain of its duties to third parties. Third parties to whom such functions have been delegated by the Management Company will be remunerated directly by the Company, except as otherwise provided hereinafter.

The Management Company shall at all time act in the best interests of the Shareholders and according to the provisions set forth by the Law, the Prospectus and the Articles.

In fulfilling its responsibilities set forth by the Law and the Management Company Agreement, the Management Company is permitted to delegate all or a part of its functions and duties to third parties, provided that it retains ultimate responsibility and oversight over such delegates. The appointment of third parties is subject to the approval of the Company and the CSSF. The Management Company's liability shall not be affected by the fact that it has delegated its functions and duties to third parties.

The Management Company may act as the management company of other open-ended collective investment schemes. The names of these other collective investment schemes are available upon request.

For its services as Management Company, Pharus Management Lux S.A. shall receive remuneration paid out of each Compartment's assets as detailed in Section "Charges And Expenses".

The Management Company has in place a remuneration policy which is consistent with, and promotes, sound and effective risk management and that neither encourage risk taking which is inconsistent with the risk profiles of the Company, the Prospectus and the Articles nor impair compliance with the Management Company's duty to act in the best interest of the Company and of its Shareholders.

The remuneration policy of the Management Company is in line with the business strategy, objectives, values and interests of the Management Company and of the other UCITS that it manages and of the interest of the Company, and includes measures to avoid conflicts of interest.

The assessment of performance is set in a multiyear framework appropriate to the holding period recommended to the investors of the UCITS managed by the Management 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.

Due to the Management Companies remuneration policy ensures the fixed and variable components of total remuneration are appropriately balanced and the fixed remuneration component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable components, including the possibility to pay no variable remuneration component.

The remuneration policy of the Management Company has been adopted by the board of directors of the Management Company and is reviewed at least annually.

Details of the up-to-date remuneration policy of the Management Company, including, but not limited to, a description of how remuneration and benefits are calculated, the identity of persons responsible for awarding the remuneration and benefits, including the composition of the remuneration committee (if any), are available on <http://www.pharusmanco.lu/en/documents/documents/>.

A paper copy of such document is available free of charge from the Management Company upon request.

### **2.3 The Investment Manager**

The Management Company, with the consent of the Company and the CSSF, under its supervision and ultimate responsibility, has appointed CGM Compagnie de Gestion Privée Monegasque, as Investment Manager.

CGM Compagnie de Gestion Privée Monegasque, 8 Boulevard des Moulins, Escalier des Fleurs 98000 Monte-Carlo, Monaco.

Pursuant to a portfolio management agreement dated 9 December 2015 (the “**Investment Management Agreement**”) the Management Company has delegated to CGM Compagnie de Gestion Privée Monegasque the day-to-day conduct of the portfolio management of the Company.

This agreement is entered into for an unlimited period and may be terminated by either party upon three months’ written notice.

For its services as Investment Manager, CGM Compagnie de Gestion Privée Monegasque shall receive remuneration paid out of the Compartments' assets as detailed in Section "Charges And Expenses".

### **2.4 The Administration Agent**

With the consent of the Company and the CSSF, the Management Company has concluded an agreement (the “**Administrative Agency, Registrar and Transfer Agency Agreements**”) appointing CACEIS Bank, Luxembourg Branch as Administration Agent.

This agreement has been concluded for an indefinite duration and may be terminated by either party in writing with three months’ notice.

In its capacity as Administration Agent, CACEIS Bank, Luxembourg Branch shall notably perform the calculation of the net asset value of units for each existing Class of the Company, management of accounts, the preparation of the annual and semi-annual financial statements and execute all tasks required as central administration.

In its capacity as the transfer and registration agent, CACEIS Bank, Luxembourg Branch shall in particular execute subscription, redemption and conversion applications and keep and maintain the register of Shareholders of the Company. In such capacity it is also responsible for supervising anti-money laundering measures under the AML Regulations. CACEIS Bank, Luxembourg Branch may request documents necessary for identification of investors.

For its services under the administrative agency, registrar and transfer agreements, CACEIS Bank, Luxembourg Branch shall receive remuneration out of each Compartment's assets which as detailed in Section "Charges And Expenses". In addition, CACEIS Bank, Luxembourg Branch is entitled to charge transaction fees in relation to the issue, conversion and redemption of Shares.

## 2.5 The Depositary

CACEIS Bank, Luxembourg Branch, established at 5, allée Scheffer, L-2520 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 209.310 is acting as depositary of the Company (the “Depositary”) in accordance with a depositary agreement dated 7 November 2016 as amended from time to time (the “Depositary Agreement”) and the relevant provisions of the Law and UCITS Rules.

CACEIS Bank, Luxembourg Branch is acting as a branch of CACEIS Bank, a public limited liability company (société anonyme) incorporated under the laws of France, having its registered office located at 1-3, place Valhubert, 75013 Paris, France, registered with the French Register of Trade and Companies under number 692 024 722 RCS Paris.

CACEIS Bank is an authorised credit institution supervised by the European Central Bank (“ECB”) and the Autorité de contrôle prudentiel et de résolution (“ACPR”). It is further authorised to exercise through its Luxembourg branch banking and central administration activities in Luxembourg.

Investors may consult upon request at the registered office of the Company the Depositary Agreement to have a better understanding and knowledge of the limited duties and liabilities of the Depositary.

The Depositary has been entrusted with the custody and/or, as the case may be, recordkeeping of the Compartments' assets, and it shall fulfil the obligations and duties provided for by Part I of the Law and the UCITS Rules. In particular, the Depositary shall ensure an effective and proper monitoring of the Company's cash flows.

In due compliance with the UCITS Rules the Depositary shall:

- (i) ensure that the sale, issue, re-purchase, redemption and cancellation of units of the Company are carried out in accordance with the applicable national law and the UCITS Rules or instruments of incorporation;
- (ii) ensure that the value of the Shares is calculated in accordance with the UCITS Rules, the Company's constitutive documents and the procedures laid down in the Directive;
- (iii) carry out the instructions of the Company, unless they conflict with the UCITS Rules, or the Company's constitutive documents;
- (iv) ensure that in transactions involving the Compartments' assets any consideration is remitted to the Company within the usual time limits;
- (v) ensure that the Company's income is applied in accordance with the UCITS Rules and the Company's constitutive documents.

The Depositary may not delegate any of the obligations and duties set out in (i) to (v) of this clause.

In compliance with the provisions of the Directive, the Depositary may, under certain conditions, entrust part or all of the assets which are placed under its custody and/or recordkeeping to correspondents or third party custodians as appointed from time to time. The Depositary's liability shall not be affected by any such delegation, unless otherwise specified, but only within the limits as permitted by the Law.

A list of these correspondents/third party custodians are available on the website of the Depositary ([www.caceis.com](http://www.caceis.com), section “*veille réglementaire*”). Such list may be updated from time to time. A complete list of all correspondents /third party custodians may be obtained, free of charge and upon request, from the Depositary. Up-to-date information regarding the identity of the Depositary, the description of its duties and of conflicts of interest that may arise from such a delegation are also made available to investors on the website of the Depositary, as mentioned above, and upon request. There are many situations in which a conflict of interest may arise, notably when the Depositary delegates its safekeeping functions or when the Depositary also performs other tasks on behalf of the Company, such as administrative agency and registrar agency services. These situations and the conflicts of interest thereto related have been identified by the Depositary. In order to protect the Company’s and its Shareholders’ interests and comply with applicable regulations, a policy and procedures designed to prevent situations of conflicts of interest and monitor them when they arise have been set in place within the Depositary, aiming namely at

(a) identifying and analysing potential situations of conflicts of interest;

(b) recording, managing and monitoring the conflict of interest situations either in:

- relying on the permanent measures in place to address conflicts of interest such as maintaining separate legal entities, segregation of duties, separation of reporting lines, insider lists for staff members; or
- implementing a case-by-case management to
  - (i) take the appropriate preventive measures such as drawing up a new watch list, implementing a new Chinese wall, making sure that operations are carried out at arm’s length and/or informing the concerned Shareholders of the Company, or
  - (ii) refuse to carry out the activity giving rise to the conflict of interest.

The Depositary has established a functional, hierarchical and/or contractual separation between the performance of depositary functions for the Company and the performance of other tasks on behalf of the Company, notably, administrative agency and registrar agency services.

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 bank 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 Company have been transferred to the new depositary bank.

The Depositary has no decision-making discretion nor any advice duty relating to the Company’s investments. The Depositary is a service provider to the Company and is not responsible for the preparation of this Prospectus and therefore accepts no responsibility for the accuracy of any information contained in this Prospectus or the validity of the structure and investments of the Company..

## **2.6 The Distributors**

The Management Company with the consent of the Company might appoint Distributors which will coordinate all marketing actions for the Company.

Distributors to be appointed must qualify as Authorized Financial Professionals:

“Authorized Financial Professional” means one of the following:

- a) a Financial Professional authorised in an EU member state who is required to identify its clients pursuant to applicable anti-money laundering legislation;
- b) a Financial Professional authorised in a Financial Action Task Force ("FATF")/Groupe d'Action Financière Internationale ("GAFI") country state who is required to identify its clients pursuant to applicable anti-money laundering legislation;
- c) a branch or qualifying subsidiary of (a) or (b) above, if applicable anti-money laundering legislation requires such financial professional to apply the same standards to its branches and subsidiaries.

The Distributors may delegate at its own costs and responsibilities such functions as it deems appropriate to any other Sub-distributor permitted to be a distributor of the Shares by the competent authority in the jurisdiction of the sub-distributor.

The Management Company, the Distributors and any appointed Sub-distributor will take the necessary measures to prevent late trading and market timing practices in compliance with all requirements of the CSSF Circular dated 17 June 2004 concerning the protection of undertakings for collective investment and their investors against late trading and market timing practices. Remunerations paid to the Distributors are detailed in Section "Charges And Expenses".

### **3. INVESTMENT POLICIES AND RESTRICTIONS**

#### **3.1 General Investment Policies for all Compartments**

The provisions of this Section apply only insofar as they are compatible with the specific investment policy disclosed in the relevant Appendix.

The Board of Directors determines the specific investment policy and investment objectives of each Compartment, which are described in more detail in the respective Appendix. The investment objectives of the Compartments will be carried out in compliance with the investment restrictions set forth in Section 3.3 "General Investment and Borrowing Restrictions".

Each Compartment seeks an above-average total investment return, comprised principally of long-term capital appreciation, by investing in a diversified portfolio of transferable securities or in financial derivative instruments as described in respect of the investment objective and policies in the relevant Appendix. There can be no assurance that the investment objectives of any Compartment will be achieved.

In the general pursuit of obtaining an above-average total investment return as may be consistent with the preservation of capital, efficient portfolio management techniques may be employed to the extent permitted by the investment and borrowing restrictions stipulated by the Board of Directors.

The Compartments may from time to time also hold, on an ancillary basis, cash reserves or include other permitted assets with a short remaining maturity, especially in times when rising interest rates are expected.

Investors are invited to refer to the description of the investment policy of each Compartment in the Appendix for details.

The historical performance of the Compartments will be published in the KIID for each Compartment. Past performance is not necessarily indicative of future results.

### 3.2 Benchmark Regulation

The following Benchmarks are used for the investment policy.

Sub-Funds	Indice	Administrator	Status ESMA Register
Emerald Sicav- Euro Investment Grade Bond	Bloomberg Barclays EuroAgg Total Return Index Value Unhedged EUR / LBEATREU Index	Barclays Bank PLC	Not register
Emerald Sicav- Euro Inflation Linked bond	- BofA Merrill Lynch Euro Inflation-Linked Government Index / EG0I Index	ICE BofAML	Not register

The following Benchmarks are used for the calculation of the performance fee..

Sub-Funds	Indice	Administrator	Status ESMA Register
Emerald Sicav- Euro Investment Grade Bond	Share R, RR = FTSE 3-Month Euro Eurodeposit LCL (SBWMEU3L Index) Share I, II = Bloomberg Barclays EuroAgg Total Return Index Value Unhedged EUR / LBEATREU Index)	FTSE Russell  Barclays Bank PLC	Not register
Emerald Sicav- Euro Inflation Linked bond	R = FTSE 3-Month Euro Eurodeposit LCL (SBWMEU3L Index) I = BofA Merrill Lynch Euro Inflation-Linked Government Index / EG0I Index	FTSE Russell  ICE BofAML	Not register

In accordance with the provisions of the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the “Benchmark Regulation”), the Administrator is not yet included in the Register of Administrator held by the ESMA and shall apply for authorization or registration to the competent authority before the end of the transitional period ending on 1 January 2020. Once the administrator included in the Register, the Prospectus will be amended accordingly.

According to art 28-2 of benchmark regulation, the Management Company has produced and maintained a written plan setting out the actions that they would take in the event that a benchmark materially changes or ceases to be provided. The plan is available free of charge at the office of the Management Company.

### 3.3 Specific Investment Policies for each Compartment

The specific investment policy of each Compartment is described in the Appendix.

### 3.4 General Investment and Borrowing Restrictions

Without prejudice to the foregoing, the investment strategy of the Company shall comply at all times with the following legal rules and limitations imposed by the Law:

I.

- (1) The Company, for each Compartment, may only invest in:
  - (a) transferable securities and money market instruments admitted to or dealt in on an Eligible Market;
  - (b) recently issued transferable securities and money market instruments, provided that the terms of issue include an undertaking that application will be made for admission to official listing on an Eligible Market and such admission is secured within one year of the issue;
  - (c) 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 a Member State or, if the registered office of the credit institution is situated in a third country, provided that it is subject to prudential rules considered by the Luxembourg regulatory authority as equivalent to those laid down in EU law;
  - (d) financial derivative instruments, including equivalent cash-settled instruments, dealt in on an Eligible Market and/or financial derivative instruments dealt in over-the-counter ("OTC derivatives"), provided that:
    - (i) the underlying consists of instruments covered by this Section I. (1), financial indices, interest rates, foreign exchange rates or currencies, in which the Compartments may invest according to their respective investment objectives;
    - (ii) the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the CSSF;
    - (iii) 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;
  - (e) money market instruments other than those dealt in on an Eligible Market, if the issue or the issuer of such instruments are themselves regulated for the purpose of protecting investors and savings, and provided that such instruments are:
    - (i) issued or guaranteed by a central, regional or local authority or by a central bank of a Member State, the European Central Bank, the EU or the European Investment Bank, a third country or, in 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 Member States belong; or
    - (ii) issued by an undertaking any securities of which are dealt in on Eligible Markets; or
    - (iii) 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, such as, but not limited to, a credit institution which has its registered office in a country which is an OECD member state and a FATF State.

(iv) issued by other bodies belonging to the categories approved by the CSSF provided that investments in such instruments are subject to investor protection 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 ten million Euro (10,000,000 EUR) and which presents and publishes its annual accounts in accordance with the fourth directive 78/660/EEC, 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 is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

(2) In addition, the Company may invest a maximum of 10% of the net assets of any Compartment in transferable securities and money market instruments other than those referred to under (1) above.

II. The Company may hold cash on an ancillary basis.

III.

(1)

(a) The Company may invest no more than 10% of the net assets of any Compartment in transferable securities and money market instruments issued by the same issuing body;

(b) The Company may not invest more than 20% of the net assets of any Compartment in deposits made with the same body;

(c) The risk exposure of a Compartment to a counterparty in an OTC derivative transaction may not exceed 10% of its net assets when the counterparty is a credit institution referred to in I. (1) d) above or 5% of its net assets in other cases.

(2) Moreover, where the Company holds on behalf of a Compartment investment in transferable securities and money market instruments of issuing bodies which individually exceed 5% of the net assets of such Compartment, the total of all such investments must not account for more than 40% of the total net assets of such Compartment.

This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.

Notwithstanding the individual limits laid down in paragraph (1), the Company may not combine for each Compartment:

(a) investments in transferable securities or money market instruments issued by a single body;

(b) deposits made with a single body; and/or

(c) exposures arising from OTC derivative transactions undertaken with a single body;

(d) in excess of 20% of the net assets of each Compartment.

(3) The limit of 10% laid down in sub-paragraph III. (1) (a) above is increased to a maximum of 35% in respect of transferable securities or money market instruments which are issued or guaranteed by a Member State, its local authorities, or by another Eligible State, including the federal agencies of the United States of America, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation, or by public international bodies of which one or more Member States are members.

(4) The limit of 10% laid down in sub-paragraph III. (1) (a) is increased to 25% for certain bonds when they are issued by a credit institution which has its registered office in a Member State and is subject by law, to special public supervision designed to protect bondholders. In particular, sums deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in case of bankruptcy of the issuer, would be used on a priority basis for the repayment of principal and payment of the accrued interest.

If a Compartment invests more than 5% of its net assets in the bonds referred to in this sub-paragraph and issued by one issuer, the total value of such investments may not exceed 80% of the value of the assets of the Compartment.



(5) The transferable securities and money market instruments referred to in paragraphs (3) and (4) shall not be included in the calculation of the limit of 40% in paragraph (2).

The limits set out in sub-paragraphs (1), (2), (3) and (4) may not be aggregated and, accordingly, investments in transferable securities or money market instruments issued by the same issuing body, in deposits or in derivative instruments effected with the same issuing body may not, in any event, exceed a total of 35% of the net assets of any Compartment.

Companies which are part of the same group for the purposes of the establishment of consolidated accounts, as defined in accordance with the seventh Council Directive 83/349/EEC of 13 June 1983 based on the Article 54 (3) (g) of the Treaty on consolidated accounts, as amended, or in accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the limits contained in this paragraph III. (1) to (5).

The Company may cumulatively invest up to 20% of the net assets of a Compartment in transferable securities and money market instruments within the same group.

**(6) Notwithstanding the above provisions, the Company is authorised to invest up to 100% of the net assets of any Compartment, in accordance with the principle of risk spreading, in transferable securities and money market instruments issued or guaranteed by a Member State, by its local authorities or agencies, or by another member State of the OECD or by public international bodies of which one or more member states of the EU, provided that such Compartment must hold securities from at least six different issues and securities from one issue do not account for more than 30% of the net assets of such Compartment.**

#### IV.

(1) Without prejudice to the limits laid down in paragraph V., the limits provided in paragraph III. (1) to (5) are raised to a maximum of 20% for investments in shares and/or bonds issued by the same issuing body if the aim of the investment policy of the relevant Compartment is to replicate the composition of a certain stock or bond index which is sufficiently diversified, represents an adequate benchmark for the market to which it refers, is published in an appropriate manner and disclosed in the relevant Compartment's investment policy.

(2) The limit laid down in paragraph (1) is raised to 35% where this proves to be justified by exceptional market conditions, in particular on Regulated Markets where certain transferable securities or money market instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.

#### V.

(1) The Company may not acquire shares carrying voting rights which should enable it to exercise significant influence over the management of an issuing body.

(2) The Company may acquire no more than:

- (a) 10% of the non-voting shares of the same issuer;
- (b) 10% of the debt securities of the same issuer;
- (c) 10% of the money market instruments of the same issuer;

These limits under second and third indents may be disregarded at the time of acquisition, if at that time the gross amount of debt securities or of the money market instruments or the net amount of the instruments in issue cannot be calculated.

The provisions of paragraph V. shall not be applicable to transferable securities and money market instruments issued or guaranteed by a Member State or its local authorities or by any other Eligible State, or issued by public international bodies of which one or more member states of the EU are members.

These provisions are also waived as regards shares held by the Company in the capital of a company incorporated in a non-member state of the EU which invests its assets mainly in the securities of issuing bodies having their registered office in that State, where under the legislation of that State, such a holding represents the only way in which the Company can invest in the securities of issuing bodies of that State provided that the investment policy of the company from the non-member state of the EU complies with the limits laid down in paragraph III. (1) to (5), V. (1) and (2) and VI.

## VI.

(1) Unless otherwise provided for in the Appendix for a Compartment, no more than 10% of the a Compartment's net assets may be invested in aggregate in the units of UCITS and/or other UCIs referred to in paragraph I. (1) (c).

In the case the restriction of the above paragraph is not applicable to a specific Compartment as provided in its investment policy, (i) the such Compartment may acquire units of UCITS and/or other UCIs referred to in paragraph I. (1) (c) provided that no more than 20% of the Compartment's net assets be invested in the units of a single UCITS or other UCI, and (ii) investments made in units of UCIs other than UCITS may not in aggregate exceed 30% of the net asset of the Compartment.

For the purpose of the application of this investment limit, each compartment of a UCITS and UCI with multiple compartments is to be considered as a separate issuer provided that the principle of segregation of the obligations of the various compartments vis-à-vis third parties is ensured.

(2) The underlying investments held by the UCITS or other UCIs in which the Company invests do not have to be considered for the purpose of the investment and borrowing restrictions set forth under III. (1) to (5) above.

(3) Where a Compartment invests in the units of UCITS and/or other UCIs linked to the Company by common management or control, no subscription or redemption fees may be charged to the Compartment on account of its investment in the units of such other UCITS and/or UCIs, except for any applicable dealing charge payable to such other UCITS and/or UCIs.

In the case where a substantial proportion of the net assets of any Compartment are invested in investment funds the Prospectus will specify the maximum management fee (excluding any performance fee, if any) charged to such Compartment and each of the other UCITS or other UCIs concerned.

(4) The Company may acquire no more than 25% of the units of the same UCITS or other UCI. This limit may be disregarded at the time of acquisition if at that time the net amount of the units in issue cannot be calculated. In case of a UCITS or other UCI with multiple compartments, this restriction is applicable by reference to all units issued by the UCITS or other UCI concerned, all compartments combined.

## VII.

(1) The Company may not borrow, for the account of any Compartment, amounts in excess of 10% of the net assets of that Compartment, any such borrowings to be from banks and to be effected only on a temporary basis, provided that the Company may acquire foreign currencies by means of back to back loans;

(2) The Company may not grant loans to or act as guarantor on behalf of third parties; This restriction shall not prevent the Company from acquiring transferable securities, money market instruments or other financial instruments referred to in I. (1) (c), (e) and (f) which are not fully paid;

(3) The Company may not carry out uncovered sales of transferable securities, money market instruments or other financial instruments;

(4) The Company may not acquire movable or immovable property;

(5) The Company may not acquire either precious metals or certificates representing them.

## VIII.

(1) The Company needs not comply with the limits laid down in this chapter when exercising subscription rights attaching to transferable securities or money market instruments which form part of its assets. While ensuring observance of the principle of risk spreading, the recently created Compartments may derogate from paragraphs III. (1) to (5), IV. and VI. (1) and (2) for a period of six months following the date of their authorisation by the CSSF.

(2) If the limits referred to in paragraph (2) are exceeded for reasons beyond the control of the Company or as a result of the exercise of subscription rights, it must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interest of its Shareholders.

(3) To the extent that an issuer is a legal entity with multiple compartment where the assets of the company are exclusively reserved to the investors in such compartment and to those creditors whose claim has arisen in connection with the creation, operation or liquidation of that compartment, each compartment is to be considered as a separate issuer for the purpose of the application of the risk spreading rules set out in paragraphs III. (1) to (5), IV. and VI.

## IX.

Each Compartment may, subject to the conditions provided for in the Articles as well as this Prospectus, subscribe, acquire and/or hold securities to be issued or issued by one or more Compartments of the Company without the Company being subject to the requirements of the Luxembourg law of 10 August 1915 on commercial companies, as amended, with respect to the subscription, acquisition and/or the holding by a company of its own Shares, under the condition however that:

- (1) the target Compartment does not, in turn, invest in the Compartment invested in this target Compartment;
- (2) no more than 10% of the assets of the target Compartment whose acquisition is contemplated may, pursuant to the Articles be invested in aggregate in units of other target Compartments of the same Company;
- (3) voting rights, if any, attaching to the relevant securities are suspended for as long as they are held by the Compartment concerned and without prejudice to the appropriate processing in the accounts and the periodic reports; and
- (4) in any event, for as long as these securities are held by the Company, their value will not be taken into consideration of the calculation of the net assets of the Company for the purposes of verifying the minimum threshold of the net assets imposed by the Law;
- (5) there is no duplication of management/subscription or repurchase fees between those at the level of the Compartment of the Company having invested in the target Compartment, and this target Compartment.

### 3.5 Financial Derivative Instruments

As specified in I. (1) (d) above, the Company may in respect of each Compartment invest in financial derivative instruments.

The Company shall ensure that its global exposure relating to derivative instruments does not exceed the total net value of its net assets. 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.

Each Compartment may invest in financial derivative instruments within the limits laid down in Section I. (1) (d), provided that the exposure to the underlying assets does not exceed in aggregate the investment limits laid down in clause III. (1) to (5). When a Compartment invests in index-based financial derivative instruments, these investments do not have to be combined to the limits laid down in III. 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 restriction. Under no circumstances shall the use of derivative instruments cause the Company to diverge from its investment policy.

### 3.6 Financial Techniques and Instruments

#### General principle

The Company must employ 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 of each Compartment; it must employ a process for accurate and independent assessment of the value of OTC derivative instruments. It must communicate to the CSSF regularly and in accordance with the detailed rules defined by the latter, the types of derivative instruments, the underlying risks, the quantitative limits and the methods which are chosen in order to estimate the risks associated with transactions in derivative instruments.

Subject to the specific provisions of each Compartment's Appendix, the Company may, on behalf of its Compartments, employ securities financing transactions (“SFTs”) as described in section “SFTs and TRS” hereunder and derivative instruments relating to transferable securities and money market instruments amongst others for hedging purposes, efficient portfolio management, duration management or other risk management of the portfolio as described here below.

When these operations concern the use of derivative instruments, these conditions and limits shall conform to the provisions laid down in Section 3.3 “General Investment and Borrowing Restrictions”.

However, the overall risk exposure related to financial derivative instruments will not exceed the total net asset value of the relevant Compartment.

This means that the global exposure relating to the use of financial derivative instruments may not exceed 100% of the net asset value of the relevant Compartment and, therefore, the overall risk exposure of that Compartment may not exceed 200% of its net asset value on a permanent basis.

Under no circumstances shall these operations cause a Compartment to diverge from its investment objective.

Subject to the specific provisions of each Compartment's Appendix, the Company, on behalf of its compartments, may also invest in OTC financial derivative instruments including but not limited to non-deliverable forwards, total return swaps, interest rate swaps, currency swaps, swaptions, credit default swaps, and credit linked note for either investment or for hedging purposes.

**In doing so, each Compartment shall comply with applicable restrictions and in particular with ESMA guidelines on exchange traded funds (“ETFs”) and other UCITS issues as described in CSSF circular 14/592 and with EU Regulation 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 (“SFTR”).and CSSF Circulars 08/356, 11/512 and 14/592.**

The risk exposures to a counterparty arising from OTC financial derivative transactions and efficient portfolio management techniques should be combined when calculating the counterparty risk limits of Article 52 of Directive 2009/65/EC.

In no case the use of financial derivatives instruments or other financial techniques and financial instruments may lead the relevant Compartment to diverge from its investment objectives as expressed in the Prospectus.

When entering into Total Return Swaps (“TRS”) arrangements, which for sake of clarity, also need to comply with the provisions applicable to TRS under the SFTR, or investing in other derivative financial instruments having similar characteristics to TRS, the relevant Compartment must respect the limits of diversification referred to in Articles 43, 44, 45, 46 and 48 of the 2010 Law.

Likewise, in accordance with Article 42 (3) of the 2010 Law and Article 48 (5) of CSSF Regulation 10-4, the Company must ensure, for each of the Compartments, that the underlying exposures of the TRS (respectively other similar financial instrument) are taken into account in the calculation of the investment limits laid down in Article 43 of the 2010 Law.

The Management Company may not enter into swap transactions unless it ensures that the level of its exposure to the swaps is such that it is able, at all times, to have sufficient liquid assets available to meet its redemption obligations and the commitments arising out of such transactions.

The counterparties will be leading financial institutions specialized in this type of transaction and

subject to prudential supervision. These counterparties do not have discretionary power over the composition or management of the investment portfolio of the relevant Compartment or over the underlying assets of the derivative financial instruments.

Combined risk exposure to a single counterparty may not exceed 10% of each Compartment's assets when the counterparty is a credit institution referred to in article 41 paragraph (1) (f) of the 2010 Law or 5% of its assets in any other cases.

The rebalancing frequency for an index that is the underlying asset for a financial derivative is determined by the provider of the index in question. The costs for such rebalancing are estimated to a leverage of 4bps.

The TRS and other derivative financial instruments that display the same characteristics shall confer to the Company, on behalf of its Compartments, a right of action against the counterparty in the swap or in the derivative financial instrument, and any eventual insolvency risk of the counterparty may make it impossible for the payments envisioned to be received.

The total commitment arising from total return swap transactions of the Company, on behalf of its Compartments, shall be the market value of the underlying assets used for such transactions at inception.

The net exposure of total return swap transactions in conjunction with all exposures resulting from the use of options, interest rate swaps and financial futures may not in respect of each Compartment, exceed at any time the Net Asset Value of the relevant Compartment.

The total return swap transactions to be entered into will be marked to market daily using the market value of the underlying assets used for the transaction in accordance with the terms of the swap agreement.

Typically investments in total return swap transactions will be made in order to adjust regional exposures, limit settlement and custodian risks as well as repatriation risk in certain markets and to avoid costs and expenses related to direct investments or sale of assets in certain jurisdictions as well as foreign exchange restrictions.

Furthermore, the Company, on behalf of the Compartments, may, for efficient portfolio management purposes, exclusively resort to securities lending and borrowing and repurchase agreement transactions, provided that the rules described here-below are complied with.

## **SFTs and TRS**

### **General provisions related to SFTs and TRS**

The Company, on behalf of the Compartments, will make use of the following SFTs:

- **"securities lending" or "securities borrowing"** means a transaction by which a counterparty transfers securities subject to a commitment that the borrower will return equivalent securities on a future date or when requested to do so by the transferor, that transaction being considered as securities lending for the counterparty transferring the securities and being considered as securities borrowing for the counterparty to which they are transferred;
- **"repurchase agreement 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 recognized 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 agreement for the counterparty selling the securities and a reverse repurchase agreement for the counterparty buying them;

- **“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 agreement or by a reverse- repurchase agreement within the meaning of 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 recognized 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 agreement for the counterparty selling the securities and a reverse repurchase agreement for the counterparty buying them.

The Company, on behalf of the Compartments, may enter into credit derivatives contracts. Credit derivatives are transactions which are designed to isolate and transfer the credit risk associated with a third party (the reference entity) or a basket/index of reference entities. Such credit default products will typically be divided into two categories, **namely "funded" and "unfunded"**, depending on whether or not the credit protection seller makes an initial principal payment in respect of the reference asset.

**There are many ways in which this can be done, which essentially involve four types of transaction.**

**The first type**, credit default products, consists of transactions under which the parties' obligations depend on whether a "credit event" has occurred in relation to the reference asset. The credit events are specified in the contract and are intended to identify the occurrence of a significant deterioration in the creditworthiness of the reference asset. On settlement, credit default products may be cash settled or involve the physical delivery of an obligation of the reference entity following a default. In entering into these credit default products, the Issuer may be a credit protection buyer or a credit protection seller.

**The second type consists of total return swaps ("TRS")** which means total return swap, i.e., a derivative contract as defined in point (7) of Article 2 of Regulation (EU) No 648/2012 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.

When entering into Total Return Swaps ("**TRS**") arrangements , which for sake of clarity, also need to comply with the provisions applicable to TRS under the SFTR, or investing in other derivative financial instruments having similar characteristics to TRS, the relevant Compartment must respect the limits of diversification referred to in Articles 43, 44, 45, 46 and 48 of the 2010 Law.

Likewise, in accordance with Article 42 (3) of the 2010 Law and Article 48 (5) of CSSF Regulation 10-4, the relevant Compartment must ensure that the underlying exposures of the TRS (respectively other similar financial instrument) are taken into account in the calculation of the investment limits laid down in Article 43 of the 2010 Law.

The Management Company may not enter into swap transactions unless it ensures that the level of its exposure to the swaps is such that it is able, at all times, to have sufficient liquid assets available to meet its redemption obligations and the commitments arising out of such transactions.

The counterparties will be leading financial institutions specialized in this type of transaction and subject to prudential supervision.

These counterparties do not have discretionary power over the composition or management of the investment portfolio of the Company or over the underlying assets of the derivative financial instruments.

Combined risk exposure to a single counterparty may not exceed 10% of the any Compartment's assets when the counterparty is a credit institution referred to in article 41 paragraph (1) (f) of the 2010 Law or 5% of its assets in any other cases.

The rebalancing frequency for an index that is the underlying asset for a financial derivative is determined by the provider of the index in question. The costs for such rebalancing are estimated to an average of 4bps.

**The third type**, credit spread derivatives, are credit protection transactions under which the payments may be made by either a credit spread or protection buyer or seller depending on the relative credit standings of two or more reference assets, measuring the market value of a particular asset against the market value of another asset, one of which typically being of "benchmark" quality, i.e. of a highly creditworthy obligor, such as a sovereign entity.

**The fourth type**, credit spread options, are credit derivatives designed to hedge against or take advantage of changes in credit spreads under which a reference credit instrument or index is selected and the strike spread, exercise date(s) and maturity date are set. The pay-off is based on whether the actual spot spread of the reference credit instrument or index as at the option exercise date is greater or less than the strike spread. The transaction may be either based on changes in a credit spread of a reference credit instrument or index against a market benchmark (e.g. LIBOR or U.S. Treasuries) or changes in the relative spread between two credit instruments or indices or a combination thereof.

All credit derivative risks are monitored and included at their full underlying value (including the underlying assets in inventory and the associated loan as a liability) for the purpose of maintaining compliance with investment restrictions.

Furthermore, the Company, on behalf of its Compartments, may, for efficient portfolio management purposes, exclusively resort to securities lending and borrowing and repurchase agreement transactions, provided that the rules described here below are complied with.

The Company, on behalf of its Compartments, may employ SFTs for reducing risks (hedging), generating additional capital or income or for cost reduction purposes.

Any use of SFTs for investment purposes will be in line with the risk profile and risk diversification rules applicable to each Compartment.

The assets that may be subject to SFTs and TRS are limited to:

- short term bank certificates or money market instruments such as defined within Directive 2007/16/EC of 19 March 2007 implementing Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to certain UCITS as regards the clarification of certain definitions;
- bonds issued or guaranteed by a Member State of the OECD or by their local public authorities; or by supranational institutions and undertakings with EU, regional or world-wide scope;
- shares or units issued by money market UCIs calculating a daily net asset value and being assigned a rating of AAA or its equivalent;
- bonds issued by non-governmental issuers offering an adequate liquidity;

- shares quoted or negotiated on a regulated market of a European Union Member State or on a stock exchange of a Member State of the OECD, on the condition that these shares are included in a main index.

**The maximum proportion of assets under management and the current expected proportion of assets of each Compartment that can/will be subject to SFTs and TRS, is disclosed in the Appendix of the relevant Compartment.**

The counterparties to the SFTs and TRS will be selected on the basis of very specific criteria taking into account notably their legal status, country of origin, and minimum credit rating.

- The minimum rating of the counterparties to the SFTs and TRS used will be BBB+ according to S&P rating or equivalent.
- The Company, on behalf of its Compartments, will therefore only enter into SFTs and TRS with such financial Counterparties defined in Art 3 of the **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**. Further such financial counterparties have to be subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by EU law and approved by the board of directors of the Management Company, and who are based on a regulated market of a European Union Member State or on a stock exchange of a Member State of the OECD.

The Company, on behalf of its Compartments, will collateralize its SFTs and TRS pursuant to the provisions set forth hereunder in section **“Collateral Management and Policy”**.

The risks linked to the use of SFTs 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 section **“Risk Warnings”**.

**The assets of the relevant Compartment that are subject to SFTs and TRS, and any collateral received, are held by the Depositary.**

Where there is a title transfer, the collateral received must be held by the Depositary. The Depositary may delegate the custody of the collateral to a sub-depositary but it will retain overall responsibility for the custody of the collateral. For other types of collateral arrangement, the collateral can be held by a third party depositary which is subject to prudential supervision, and which is unrelated to the provider of the collateral.

The Depositary will further ensure, in accordance with the requirements of the UCITS Directive that the assets of each Compartment held in custody by the Depositary shall not be reused by the Depositary or by any third party to whom the custody function has been delegated for their own account.

Each Compartments assets may be reused for the account of the relevant Compartment where:

- a) the reuse of the assets is executed for the account of such Compartment;
- b) the Depositary is carrying out the instructions of the Management Company;
- c) the reuse is for the benefit of the relevant Compartment and in the interest of its shareholders;
- d) the transaction is covered by high quality and liquid collateral received by the relevant Compartment under a title transfer arrangement with a market value at all times at least equivalent to the market value of the reused assets plus a premium.



## **Policy on sharing of return generated by SFTs and TRS**

All revenues arising from SFTs and TRS, net of direct and indirect operational costs and fees, will be returned to the relevant Compartment.

Notwithstanding this, fees, commissions, costs or expenses may be paid to “SFT Agents” of the Company, on behalf of its Compartments, as normal compensation of their services (Hereafter referred to as operational costs).

SFT Agent means any person involved in SFTs and/or TRSs as securities lending agent, broker, collateral agent or service provider and that is paid fees, commissions, costs or expenses out of the relevant Compartment’s assets.

SFT Agents are not related parties to the Investment Manager or the Management Company.

The SFT Agents that will charge operational costs and the amount of such costs will be disclosed in the annual report of the Company.

These operational costs may reach a maximum of 50% of revenues arising from efficient portfolio management techniques and do not include hidden revenues.

## **Securities Lending and Borrowing**

The Company in order to achieve a positive return in absolute terms, on behalf of its Compartments, may enter into securities lending transactions and borrowing transaction provided that they comply with the SFTR, provisions set forth in CSSF’s Circular 08/356, CSSF’s Circular 14/592 and ESMA Guidelines 2014/937 concerning the rules applicable to undertakings for collective investment when they use certain techniques and instruments relating to transferable securities and money market instruments, as amended from time to time, as follows:

i. The Company, on behalf of its Compartments, may only lend or borrow securities through a standardized system organized by a recognized clearing institution or through a first class financial institution specializing in this type of transaction approved by the board of directors of the Management Company. In all cases, the counterparty to the securities lending or borrowing agreements must be subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by EU law. In case the aforementioned financial institution acts on its own account, it is to be considered as counterparty in the securities lending agreement. If the Company on behalf of its Compartments lends its securities to entities that are linked to the Company by common management or control, specific attention has to be paid to the conflicts of interest which may result therefrom.

ii. As part of lending transactions, the Company, on behalf of its Compartments, must in principle receive an appropriate collateral, the value of which at the conclusion of the contract must be at least equal to the global valuation of the securities lent. At maturity of the securities lending transaction, the appropriate collateral will be remitted simultaneously or subsequently to the restitution of the securities lent.

iii. All assets received by the Company, on behalf of its Compartments, in the context of efficient portfolio management techniques should be considered as collateral. The collateral which must comply with the conditions set forth below under section “**Collateral Management and Policy**”

iv. In case of a standardized securities lending system organized by a recognized clearing institution or in case of a lending system organized by a financial institution subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by EU law and specialized in this type of transactions, securities lent may be transferred before the receipt of the guarantee if the intermediary in question assures the proper completion of the transaction. Such intermediary may, instead of the

borrower, provide to the Company, on behalf of its Compartments, a guarantee which the value at conclusion of the contract must be at least equal to the total value of the securities lent.

v. The Company, on behalf of its Compartments, must ensure that the volume of the securities lending transactions is kept at an appropriate level or that it is entitled to request the return of the securities lent in a manner that enables it, at all times, to meet its redemption obligations and that these transactions do not jeopardize the management of each Compartment's assets in accordance with their respective investment policy.

vi. With respect to securities lending, the Company, on behalf of its Compartments, will generally require the borrower to post collateral representing, at any time during the lifetime of the agreement, at least the total value of the securities lent (interest, dividends and other potential rights included) as further described hereunder in section **"Collateral Management and Policy"**.

vii. Borrowing transactions may not exceed 50% of the global valuation of the securities portfolio of the relevant Compartment. The Company, on behalf of its Compartments, may borrow securities under the following circumstances in connection with the settlement of a sale transaction: (a) during a period the securities have been sent out for re-registration; (b) when the securities have been loaned and not returned in time; (c) to avoid a failed settlement when the Depositary fails to make delivery; and (d) as a technique to meet its obligation to deliver the securities being the object of a repurchase agreement when the counterparty to such agreement exercises its right to repurchase these securities, to the extent such securities have been previously sold by the Company, on behalf of its Compartments.

viii. The Company, on behalf of its Compartments, ensures that it is able at any time to recall any security that has been lent or terminate any securities lending transaction into which it has entered; and

**Pharus Management Lux S.A., as Management Company of the Company, does not act as securities lending agent.** If Pharus Management Lux S.A. takes over this function and activity, the Prospectus will be updated accordingly.

The Company's annual report will provide details on the Depositary of the Company, provided they receive direct and indirect operational costs and fees.

### **Repurchase Agreement Transactions**

The Company, on behalf of its Compartments, may on an ancillary basis, in order to achieve a positive return in absolute terms may enter into repurchase agreement transactions, which consist of the purchase and sale of securities with a clause reserving the seller the right or the obligation to repurchase from the acquirer the securities sold at a price and term specified by the two parties in their contractual arrangement.

The Company, on behalf of its Compartments, can act either as purchaser or seller in repurchase agreement transactions or a series of continuing repurchase transactions. Its involvement in such transactions is, however, subject to the following rules:

i. The Company, on behalf of its Compartments, may enter into these transactions only if the counterparties to these transactions are subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by EU law and approved by the board of directors of the Management Company.

ii. At the maturity of the contract, the Company, on behalf of its Compartments, must ensure that it has sufficient assets to be able to settle the amount agreed with the counterparty for the restitution of the Company, on behalf of its Compartments. The Company, on behalf of its Compartments, must take care to ensure that the volume of the repurchase agreement transactions is kept at a level such that it is able, at all times, to meet its redemption obligation towards shareholders.

iii. The Company, on behalf of its Compartments, must ensure that it is able at any time to recall the full amount of cash or to terminate the reverse repurchase 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 agreement must be used for the calculation of the Net Asset Value of the relevant Compartment.

iv. The Company, on behalf of its Compartments, must further ensure that it is able at any time to recall any securities subject to the repurchase agreement or to terminate the repurchase agreement into which it has entered.

v. Repurchase agreement and reverse repurchase agreements will generally be collateralized as further described hereunder in section “**Collateral Management and Policy**”, at any time during the lifetime of the agreement, at least their notional amount.

vi. The securities purchased with a repurchase option or through a reverse repurchase agreement transaction must be in accordance with the investment policy of each Compartment and must, together with the other securities that it holds in its portfolio, globally comply with its investment restrictions.

Fixed- term repurchase and reverse repurchase agreements that do not exceed seven (7) days are to be considered as arrangements on terms that allow the assets to be recalled at any time by the Company, on behalf of its Compartments.

### **Disclosure to Investors**

In connection with the use of techniques and instruments the Company, will, in its financial reports, disclose the following information:

- the exposure obtained through efficient portfolio management techniques;
- the identity of the counterparty(ies) to these efficient portfolio management techniques;
- the type and amount of collateral received by the UCITS to reduce counterparty exposure;
- the use of TRS and SFTs pursuant to the SFTR.
- the revenues arising from efficient portfolio management techniques for the entire reporting period together with the direct and indirect operational costs and fees incurred.

### **Collateral Management and Policy**

As security for any SFTs and OTC financial derivatives transactions, the Company, on behalf of its Compartments, will obtain collateral, under the form of bonds (bonds issued or guaranteed by a Member State of the OECD or by their local public authorities; or by supranational institutions and undertakings with EU, regional or world-wide scope) and cash, covering at least the market value of the financial instruments object of SFTs and OTC financial derivatives transactions.

#### **Collateral received must at all times meet the following criteria:**

- (a) Liquidity: Collateral must be sufficiently liquid in order that it can be sold quickly at a robust price that is close to its pre-sale valuation.
- (b) Valuation: Collateral must be capable of being valued on at least a daily basis and must be marked to market daily, it being understood that the Company, on behalf of its Compartments, does not intend to make use of daily variation margins.
- (c) Issuer credit quality: The Company, on behalf of its Compartments, will ordinarily only accept very high quality collateral.

- (d) Safe-keeping: Collateral must be transferred to the Depositary or its agent.
- (e) Enforceable: Collateral must be immediately available to the Company, on behalf of its Compartments, without recourse to the counterparty, in the event of a default by that entity.
- (f) Non-Cash collateral
  - 1. cannot be sold, pledged or re-invested;
  - 2. must be issued by an entity independent of the counterparty; and
  - 3. must be diversified to avoid concentration risk in one issue, sector or country.
- (g) The maturity of the non-cash collateral shall be a maximum of 5 years.
- (h) Cash Collateral can only be:

placed on deposit with entities prescribed in Article 41(f) of the Law;

- invested in high-quality government bonds;
- used for the purpose of reverse repurchase transactions provided the transactions are with credit institutions subject to prudential supervision and the Company, on behalf of its Compartments, is able to recall at any time the full amount of cash on accrued basis;
- invested in short-term money market funds as defined in ESMA's Guidelines on a Common Definition of European Money Market Funds. The Company, on behalf of its Compartments, may reinvest cash which it receives as collateral in connection with the use of techniques and instruments for efficient portfolio management, pursuant to the provisions of the applicable laws and regulations, including CSSF Circular 08/356, as amended by CSSF Circular 11/512 and the ESMA Guidelines.

Re-invested cash collateral will expose the relevant Compartment to certain risks such as foreign exchange risk, the risk of a failure or default of the issuer of the relevant security in which the cash collateral has been invested. Re-invested cash collateral should be diversified in accordance with the diversification requirements applicable to non-cash collateral.

The Company, on behalf of its Compartments, must make sure that it is able to claim its rights on the guarantee in case of the occurrence of an event requiring the execution thereof. Therefore, the guarantee must be available at all times, either directly or through the intermediary of a first class financial institution or a wholly-owned subsidiary of this institution, in such a manner that the Company, on behalf of its Compartments, is able to appropriate or realize the assets given as guarantee, without delay, if the counterparty does not comply with its obligation to return the securities. During the duration of the agreement, the guarantee cannot be sold or given as a security or pledged.

- (i) 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 Company, on behalf of its Compartments, receives from a counterparty of efficient portfolio management and over-the-counter financial derivative transactions a basket of collateral with a maximum exposure to a given issuer of 20% of its net asset value. When the Company, on behalf of its Compartments, 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 from this sub-paragraph, a UCITS or compartment thereof may be fully collateralized in different transferable securities and money market instruments issued or guaranteed by a Member State, one or more of its local authorities, a third country, or a public international body to which one or more Member States belong. Such a UCITS or compartment thereof should receive securities from at least six different issues, but

- securities from any single issue should not account for more than 30% of the UCITS's or its relevant compartment's net asset value.
- (ii) Where a Compartment intends to be fully collateralized in securities issued or guaranteed by a Member State, it should disclose this fact in the relevant Appendix. It should also identify the Member States, local authorities, or public international bodies issuing or guaranteeing securities which they are able to accept as collateral for more than 20% of the relevant Compartments' net asset value.

## **Haircut Policy**

The Company has set up, in accordance with the Circular 14/592, a clear haircut policy adapted for each class of assets received as collateral mentioned above. Such policy takes account of the characteristics of the relevant asset class, including the credit standing of the issuer of the collateral, the price volatility of the collateral and the results of any stress tests which may be performed in accordance with the stress testing policy.

When entering into securities lending and borrowing transactions, the Company, on behalf of its Compartments, must receive, in principle, a guarantee the value of which is, during the lifetime of the lending agreement, at least equivalent to 105% of the global valuation (interests, dividends and other possible rights included) of the securities lent, depending on the degree of risk that the market value of the assets included in the guarantee may fall:

- Government bonds with maturity up to 1 year: Haircut between 0 and 2%
- Government bonds with maturity of more than 1 year: Haircut between 0% and 5%
- Corporate bonds: Haircut between 6% and 10%
- Cash: 0%

When entering into, on behalf of its Compartments, repurchase or reverse repurchase transactions, the Company will obtain the following collateral covering at least the market value of the financial instrument object of the transaction:

- Government bonds with maturity up to 1 year: Haircut between 0 and 5%
- Government bonds with maturity of more than 1 year: Haircut between 0 and 5%
- Corporate bonds: Haircut between 6% and 10%
- Cash: 0%

When entering into, on behalf of its Compartments, OTC transaction the Company must receive or pay a guarantee managed by the Credit Support Annex (CSA) to the ISDA in place with each counterparty and it will obtain the following collateral covering at least the market value of the financial instrument object of the OTC transaction:

- Cash: 0%
- Government bonds with maturity up to 1 year: Haircut between 0 and 2%
- Government bonds with maturity of more than 1 year: Haircut between 0 and 5%

Any haircuts applicable to collateral are agreed conservatively with each OTC financial derivative counterparty on case by case basis. They will vary according to the terms of each collateral agreement negotiated and prevailing market practice and conditions. Collateral received or paid by the Company, on behalf of its Compartments, shall predominantly be limited to cash and government bonds according to the CSA.

All assets received in the context of Management of collateral for OTC financial derivative transactions and efficient portfolio management techniques in accordance with the Circular 14/592 will be considered as collateral and will comply with the criteria set up above.

All collateral used to reduce counterparty risk exposure will comply with the following criteria at all times:

For the Company receiving, on behalf of its Compartments, collateral for at least 30% of the assets of a Compartment, the Company will set up, in accordance with the Circular 14/592, an appropriate stress testing policy to ensure regular stress tests under normal and exceptional liquidity conditions to assess the liquidity risk attached to the collateral.

The Company, on behalf of its Compartments, must proceed on a daily basis to the valuation of the guarantee received or paid, using available market prices and taking into account appropriate discounts which will be determined in accordance to the CSA for each asset class based on its haircut policy. The 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.

### **Currency Hedging**

In order to protect its present and future assets and liabilities against the fluctuation of currencies, the Company may, on behalf of its Compartments, enter into transactions the object of which is the purchase or the sale of forward foreign exchange contracts, the purchase or the sale of call options or put options in respect of currencies, the purchase or the sale of currencies forward or the exchange of currencies on a mutual agreement basis provided that these transactions be made either on exchanges or over-the-counter with first class financial institutions specializing in these types of transactions and being participants of the over-the counter markets.

The objective of the transactions referred to above presupposes the existence of a direct relationship between the contemplated transaction and the assets or liabilities to be hedged and implies that, in principle, transactions in a given currency, including a currency bearing a substantial relation to the value of the Reference Currency of the relevant Compartment -known as "hedging by proxy"- may not exceed the total valuation of the assets and liabilities held in such currency nor may they, as regards their duration, exceed the period where such assets are held or anticipated to be acquired or for which such liabilities are incurred or anticipated to be incurred.

In its financial reports, the Company must indicate for the different categories of transactions involved, the total amount of commitments incurred under such outstanding transactions as of the reference date for such financial reports.

### **3.7 Exercise of Voting Rights**

The Company will exercise its voting rights in respect of instruments held by the Company in each Compartment in accordance with the voting policy of the Management Company or as the case may be, the Investment Manager.

### **3.8 Risk-Management Process**

The Management Company must employ a risk-management process which enables it to monitor and measure at any time the risk of the positions in its portfolios and their contribution to the overall risk profile of its portfolios.

In accordance with the Law and the applicable regulations, in particular Circular CSSF 11/512, the Management Company uses, for each Compartment a risk-management process which enables it to assess the exposure of each Compartment to market, liquidity and counterparty risks, and to all other risks, including operational risks, which are material to the relevant Compartment.

#### **4. GLOBAL EXPOSURE DETERMINATION METHODOLOGY**

The Management Company will use the commitment approach to monitor and measure the global exposure of each of the Compartments, unless otherwise specified in the relevant Appendix.

This approach measures the global exposure related solely to positions on financial derivative instruments under consideration of netting and hedging.

Each Compartment's total commitment to financial derivative instruments, limited to 100% of the respective portfolio's total net value, is quantified as the sum, as an absolute value, of the individual commitments, after consideration of the possible effects of netting and hedging.

#### **5. RISK WARNINGS**

The following is a general description of a number of risks which may affect the value of Shares. See also the section of the relevant Appendix to the Prospectus (if applicable) for a discussion of additional risks particular to a specific Compartment or issue of Shares, as the case may be. The description of the risks made below is not, nor is it intended to be, exhaustive. Not all risks listed necessarily apply to each issue of Shares, and there may be other considerations that should be taken into account in relation to a particular issue. What factors will be of relevance to the Company will depend upon a number of interrelated matters including, but not limited to, the nature of the Shares and the Company's Investment Policy. In this Section 5, references to the "Company" shall be understood as referring to each of the Compartments, as applicable.

No investment should be made in the Shares until careful consideration of all these factors has been made.

##### **5.1 Introduction**

The value of investments and the income from them, and therefore the value of and income from Shares relating to the Company can go down as well as up and an investor may not get back the amount the investor invests. Due to the various commissions and fees which may be payable on the Shares, an investment in Shares should be viewed as medium to long term. Short or leveraged funds are associated with higher risks and may better be considered as short to medium term investments. An investment in the Company should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors. Investors should only reach an investment decision after careful consideration with their legal, tax, accounting, financial and other advisers.

The legal, regulatory, tax and accounting treatment of the Shares can vary in different jurisdictions. Any descriptions of the Shares set out in the Prospectus are for general information purposes only. Investors should recognise that the Shares may decline in value and should be prepared to sustain a total loss of their investment. Risk factors may occur simultaneously and/or may compound each other resulting in an unpredictable effect on the value of the Shares.

##### **5.2 General risks**

*Failure to Meet Investment Objective:* There can be no assurances that the Company will be able to achieve its investment objective. An investment in the Company will entail a high degree of risk, including the possible loss of a substantial part, or even the entire amount, of such investment.

*Capital Risk:* The Company does not provide its investors with any guarantee against the loss of capital. Accordingly, investors in the Company bear the risk of the loss of some or all of their investment in the Company.

*Valuation of the Shares:* the value of a Share will fluctuate as a result of changes in the value of, amongst other things, the Company's assets, the Underlying Asset and, where applicable, the financial derivative instruments used to expose the Company to the Underlying Asset synthetically.

*Valuation of the Underlying Asset and the Company's assets:* the Company's assets, the Underlying Asset or the financial derivative instruments used to expose the Company to the Underlying Asset synthetically may be complex and specialist in nature. Valuations for such assets or financial derivative

instruments will usually only be available from a limited number of market professionals which frequently act as counterparties to the transactions to be valued. Such valuations are often subjective and there may be substantial differences between any available valuations.

*Exchange rates:* an investment in the Shares may directly or indirectly involve exchange rate risk. Because the net asset value of the Company will be calculated in its Reference Currency, the performance of an Underlying Asset or of its constituents denominated in a currency other than the Reference Currency will also depend on the exchange rate of such currency. Equally, the currency denomination of any Company's asset in a currency other than the Reference Currency will involve exchange rate risk for the Company.

*Interest rates:* fluctuations in interest rates of the currency or currencies in which the Shares, the Company's assets and/or the Underlying Asset are denominated may affect financing costs and the real value of the Shares.

*Inflation:* the rate of inflation will affect the actual rate of return on the Shares. An Underlying Asset may reference the rate of inflation.

*Yield:* returns on Shares may not be directly comparable to the yields which could be earned if any investment were instead made in the Company's assets and/or Underlying Asset.

*Correlation:* the Shares may not correlate perfectly, nor highly, with movements in the value of Company's assets and/or the Underlying Asset.

*Volatility:* the value of the Shares may be affected by market volatility and/or the volatility of the Company's assets and/or the Underlying Asset.

*Credit Risk:* Credit risk involves the risk that an issuer of a bond (or similar money-market instruments) held by the Company may default on its obligations to pay interest and repay principal and the Company will not recover their investment.

*Counterparty risk:* the Company may invest in OTC Derivative and may find thus itself exposed to risk arising from the solvency of its counterparts and from their ability to respect the conditions of these contracts. The Company may enter into futures, options and swap contracts including CDS or use derivative techniques, each of which involves the risk that the counterparty will fail to respect its commitments under the terms of each contract.

*Liquidity risk:* certain types of securities may be difficult to buy or sell, particularly during adverse market conditions, which may affect their value. The fact that the Shares may be listed on a stock exchange is not an assurance of liquidity in the Shares.

*Repurchase and Reverse Repurchase Agreement Risk:* The use of repurchase and reverse repurchase agreements, if any, by the Company involves certain risks. For example, if the seller of securities to the Company under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Company will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganisation under applicable bankruptcy or other laws, the ability of the Company to dispose of the underlying securities may be restricted. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the Company may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller.

*Leverage:* the Company's assets, Underlying Asset and the derivative techniques used to expose the Company to the Underlying Assets may comprise elements of leverage (or borrowings) which may potentially magnify losses and may result in losses greater than the amount borrowed or invested by the Company.



*Political factors, emerging market and non-OECD member country assets:* the performance of the Shares and/or the possibility to purchase, sell, or repurchase the Shares 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. Such risks can be heightened in investments in, or relating to, emerging markets or non-OECD member countries. In addition, local custody services remain underdeveloped in many non-OECD and emerging market countries and there is a heightened transaction and custody risk involved in dealing in such markets. In certain circumstances, the Company may not be able to recover or may encounter delays in the recovery of some of its assets. Furthermore, the legal infrastructure and accounting, auditing and reporting standards in emerging markets or non-OECD member countries, may not provide the same degree of investor information or protection as would generally apply to major markets.

*Share subscriptions and repurchases:* provisions relating to the subscription and repurchase of Shares grant the Company discretion to limit the amount of Shares available for subscription or repurchase on any Business Day and, in conjunction with such limitations, to defer or pro rata such subscription or repurchase. In addition, where requests for subscription or repurchase are received after the Cut-Off deadline, there will be a delay between the time of submission of the request and the actual date of subscription or repurchase. Such deferrals or delays may operate to decrease the number of Shares or the repurchase amount to be received.

*Listing:* there can be no certainty that a listing on any stock exchange applied for by the Company will be achieved and/or maintained or that the conditions of listing will not change. Further, trading in Shares on a stock exchange may be halted pursuant to that stock exchange's rules due to market conditions and investors may not be able to sell their Shares until trading resumes.

*Legal and regulatory:* the Company must comply with regulatory constraints or changes in the laws affecting it, the Shares, or the investment restrictions, which might require a change in its investment policy and objectives. The Company's assets, the Underlying Asset and the derivative techniques used to expose the Company to the Underlying Assets may also be subject to change in laws or regulations and/or regulatory action which may affect the value of the Shares.

*Nominee arrangements:* where an investor invests in Shares via the Distributors, its Sub-distributors (including but not limited to Placement Agents and/or a nominee) or holds interests in Shares through a clearing agent, such Shareholder will typically not appear on the register of Shareholders of the Company and may not therefore be able to exercise voting or other rights available to those persons appearing on the register.

*Use of derivatives:* as when the Company's performance is linked to an Underlying Asset, the Company may invest in derivative instruments or securities which differ from the Underlying Asset, derivative techniques will be used to link the value of the Shares to the performance of the Underlying Asset. While the prudent use of such derivatives techniques can be beneficial, derivatives instruments also involve risks which, in certain cases, can be greater than the risks presented by more traditional investments. There may be transaction costs associated with the use of any such derivatives instruments.

*U.S. Foreign account Tax Compliance Requirements:* Although the Company will attempt secure the compliance of its counterparties with FATCA rules and avoid imposition of the 30% withholding tax on its US source income, no assurance can be given that the Company will be able to satisfy these obligations. If the Company becomes subject to a withholding tax as a result of FATCA, the value of Shares held by all Shareholders may be materially affected.

*Duplication of costs:* The Company incurs costs of its own management and administration comprising the fees paid to the Management Company, the Investment Manager (if any), the Distributors (if any), the Administration Agent (if any), the Depositary, unless otherwise provided hereinafter and other service providers. It should be noted that, in addition, the Company incurs similar costs in its capacity as an investor in the funds in which the Company invests, which in turn pay similar fees to their manager and other service providers. It is endeavoured to reduce duplication of management charges by negotiating rebates where applicable in favour of the Company with such funds or their managers. Further, the investment strategies and techniques employed by certain funds may involve frequent changes in positions and a consequent portfolio turnover. This may result in brokerage commission expenses which exceed significantly those of the funds of comparable size. The funds may be required to pay performance fees to their manager. Under these arrangements the managers will benefit from the appreciation, including unrealised appreciation of the investments of such funds, but they are not similarly penalised for realised or unrealised losses. As a consequence, the direct and indirect costs borne by the Company are likely to represent a higher percentage of the net asset value per Share than would typically be the case with UCITS which invest directly in equity and bond markets (and not through other UCITS/UCI/funds).

### **Risk Considerations applicable to the use of derivatives**

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. Investment in derivatives may add volatility to the performance of the Company and involve peculiar financial risks.

The following is a summary of the risk factors and issues concerning the use of derivatives instruments (FDI) that investors should understand before investing in the Company.

#### **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 the Company's interests.

#### **Control and Monitoring**

Derivative products are highly specialized 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 Company and the ability to forecast the relative price, interest rate or currency rate movements correctly.

#### **Legal risk**

There may be a risk of loss due to the unexpected application of a law or regulation, or because contracts are not legally enforceable or documented correctly.

There may be a risk from uncertainty due to legal actions or uncertainty in the applicability or interpretation of contracts, laws or regulations.

The use of Over the Counter (OTC) derivatives, such as forward contracts, swap agreements and contracts for difference, will expose the Company to the risk that the legal documentation of the contract may not accurately reflect the intention of the parties.

The terms of Over the Counter Financial Derivative Instrument (OTC FDI) are generally established through negotiation between the parties thereto.

While therefore more flexible, OTC FDI may involve greater legal risk than exchange-traded instruments, which are standardized as to the underlying instrument, expiration date, contract size and strike price, as there may be a risk of loss if the OTC FDI are deemed not to be legally enforceable or are not documented correctly. There may also be a legal or documentation risk that the parties to the OTC FDI may disagree as to the proper interpretation of its terms. If such a dispute occurs, the cost and unpredictability of the legal proceedings required for a Fund to enforce its contractual rights may lead the Company to decide not to pursue its claims under the OTC FDI. A Fund thus assumes the risk that it may be unable to obtain payments owed to it under OTC arrangements, and that those payments may be delayed or made only after the Fund has incurred the costs of litigation. Further, legal, tax and regulatory changes could occur which may adversely affect a Fund. The regulatory and tax environment for FDI is evolving, and changes in the regulation or taxation of FDI may adversely affect the value of such instruments held by the Fund and the Fund's ability to pursue its trading strategies.

#### **Risk linked to the reuse of collateral or any guarantee granted under any leveraging arrangement**

Investors should take explicitly into account the risk of reuse of collateral or and any guarantee granted under any leveraging arrangement.

#### **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).

#### **Counterparty Risk**

The Company may enter into transactions in OTC markets, and the Company may incur losses through their commitments vis-à-vis a counterparty on the techniques described above, in particular its swaps, TRS ("TRS"), forwards, in the event of the counterparty's default or its inability to fulfil its contractual obligations. This will expose the Company to the credit of its counterparties and their ability to satisfy the terms of such contracts. In the event of a bankruptcy or insolvency of a counterparty, the Company 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 realize 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.

#### **Securities Lending, Repurchase Agreements and Reverse Repurchase Transactions**

The principal risk when engaging in securities lending, repurchase or reverse repurchase transactions is the risk of default by a counterparty who has become insolvent or is otherwise unable or **refuses to honor** its obligations to return securities or cash to the Company as required by the terms of the transaction. Counterparty risk is mitigated by the transfer or pledge of collateral in favor of the Company.

However, securities lending, repurchase or reverse repurchase transactions may not be fully collateralized.

Fees and returns due to the Company under securities lending, repurchase or reverse repurchase transactions may not be collateralized. In addition, the value of collateral may decline between collateral rebalancing dates or may be incorrectly determined or monitored. In such a case, if a counterparty defaults, the Company may need to sell non-cash collateral received at prevailing market prices, thereby resulting in a loss to the Company. The Company 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 Company to the counterparty as required by the terms of the transaction. The Company 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 Company.

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 Company 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.

### **Operational & Custody Risk:**

Operational risk is the risk of contract on financial markets, the risk of back office operations, custody of securities, as well as administrative problems that could cause a loss to the Company. This risk could also result from omissions and inefficient securities processing procedures, computer systems or human errors.

### **Risk of relating to the use of Total Return Swaps**

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 Company 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 enters into TRSs on a net basis, the two payment streams are netted out, with the Company receiving or paying, as the case may be, only the net amount of the two payments. Total return 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 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 risk of loss consists of the net amount of total return payments that the Company is contractually entitled to receive.

### 5.3 Underlying Asset risks

#### (a) General

*Underlying Asset calculation and substitution:* in certain circumstances the Underlying Asset may cease to be calculated or published on the basis described or such basis may be altered or the Underlying Asset may be substituted. In certain circumstances such as the discontinuance in the calculation or publication of the Underlying Asset or suspension in the trading of any constituents of the Underlying Asset, it could result in the suspension of trading of the Shares or the requirement for market makers to provide two way prices on the relevant stock exchanges.

*Corporate actions:* securities comprising an Underlying Asset may be subject to change in the event of corporate actions in respect of those securities.

*Tracking error:* the following are some of the factors which may result in the value of the Shares varying from the value of the Underlying Asset: investments in assets other than the Underlying Asset may give rise to delays or additional costs and taxes compared to an investment in the Underlying Asset; investment or regulatory constraints may affect the Company but not the Underlying Asset; the fluctuation in value of the Company's assets; where applicable, any differences between the maturity date of the Shares and the Maturity Date of the Company's assets; and the existence of a cash position held by the Company.

*No investigation or review of the Underlying Asset(s):* none of the Management Company, the Investment Manager (if any) or any of their delegates (if any) or affiliates has performed or will perform any investigation or review of the Underlying Asset on behalf of any prospective investor in the Shares. Any investigation or review made by or on behalf of the Company, the Management Company, the Investment Manager (if any) or any of their delegates (if any) or any of their affiliates is or shall be for their own proprietary investment purposes only.

#### (b) Certain risks associated with particular Underlying Assets

Certain risks associated with investment in particular Underlying Assets or any securities comprised therein are set out below.

*Shares:* the value of an investment in Shares will depend on a number of factors including, but not limited to, market and economic conditions, sector, geographical region and political events.

*Pooled investment vehicles:* alternative investment funds, mutual funds and similar investment vehicles operate through the pooling of investors' assets. Investments are then invested either directly into assets or are invested using a variety of hedging strategies and/or mathematical modelling techniques, alone or in combination, any of which may change over time. Such strategies and/or techniques can be speculative, may not be an effective hedge and may involve substantial risk of loss and limit the opportunity for gain. It may be difficult to obtain valuations of products where such strategies and/or techniques are used and the value of such products may depreciate at a greater rate than other investments. Pooled investment vehicles are often unregulated, make available only limited information about their operations, may incur extensive costs, commissions and brokerage charges, involve substantial fees for investors (which may include fees based on unrealised gains), have no minimum credit standards, employ high risk strategies such as short selling and high levels of leverage and may post collateral in unsegregated third party accounts.

*Indices:* the compilation and calculation of an index or portfolio will generally be rules based, account for fees and include discretions exercisable by the index provider or investment manager. Methodologies used for certain proprietary indices are designed to ensure that the level of the index

reaches a pre-determined level at a specified time. However, this mechanism may have the effect of limiting any gains above that level. Continuous protection or lock-in features designed to provide protection in a falling market may also result in a lower overall performance in a rising market.

*Convertible Securities:* Convertible securities and exchangeable bonds are stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Company is called for redemption, the Company will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Company's ability to achieve its investment objective.

*Emerging Markets :* Underlying investments in emerging markets involve additional risks and special considerations not typically associated with investing in other more established economies or markets. Such risks may include (i) increased risk of nationalisation or expropriation of assets or confiscatory taxation; (ii) greater social, economic and political uncertainty, including war; (iii) higher dependence on exports and the corresponding importance of international trade; (iv) greater volatility, less liquidity and smaller capitalisation of markets; (v) greater volatility in currency exchange rates; (vi) greater risk of inflation; (vii) greater controls on foreign investment and limitations on realisation of investments, repatriation of invested capital and on the ability to exchange local currencies for the Reference Currency; (viii) increased likelihood of governmental involvement in and control over the economy; (ix) governmental decisions to cease support of economic reform programs or to impose centrally planned economies; (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (xi) less extensive regulation of the markets; (xii) longer settlement periods for transactions and less reliable clearance and custody arrangements; (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and (xiv) certain considerations regarding the maintenance of the Company's financial instruments with brokers and securities depositories. Repatriation of investment income, assets and the proceeds of sales by foreign investors may require governmental registration and/or approval in some emerging countries. The Company may be adversely affected by delays in or a refusal to grant any required governmental registration or approval for such repatriation or by withholding taxes imposed by emerging market countries on interest or dividends paid on financial instruments held by the Company or gains from the disposition of such financial instruments.

In emerging markets, there is often less government supervision and regulation of business and industry practices, stock exchanges, over-the-counter markets, brokers, dealers, counterparties and issuers than in other more established markets. Any regulatory supervision which is in place may be subject to manipulation or control. Some emerging market countries do not have mature legal systems comparable to those of more developed countries. Moreover, the process of legal and regulatory reform may not be proceeding at the same pace as market developments, which could result in investment risk. Legislation

to safeguard the rights of private ownership may not yet be in place in certain areas, and there may be the risk of conflict among local, regional and national requirements. In certain cases, the laws and regulations governing investments in securities may not exist or may be subject to inconsistent or arbitrary appreciation or interpretation. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. The Company may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in local courts.

Investments in securities of issuers in emerging markets may be subject to greater risks than investments in securities of issuers from member states of the OECD due to a variety of factors including currency controls and currency exchange rates fluctuations, changes in governmental administration or economic or monetary policy or changed circumstances in dealings between nations, expropriation, confiscatory taxation and potential difficulties in enforcing contractual obligations. There may be less publicly available information about issuers in certain countries and such issuers may not be subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those of most OECD issuers. In certain countries, securities of local issuers are less liquid and more volatile than securities of comparable issuers of more mature economies and subject to lower levels of government supervision than those on the OECD. The investments in such markets may be considered speculative and subject to significant custody and clearance risks and delay in settlement.

*Hedged Classes:* there is no guarantee that the currency exposure of securities denominated in a currency other than the currency in which the Shares are denominated can be fully hedged against the Class Currency of the Share Class.

*Others:* underlying Asset(s) may include other assets which involve substantial financial risk such as distressed debt, low quality credit securities, forward contracts and deposits with commodity trading advisors (in connection with their activities).

## **5.4 Other risks**

*Potential conflicts of interest:* The Management Company, the Investment Manager, the Distributors, their delegates (if any), the Sub-distributors, the Administration Agent, and the Depositary may from time to time act as management company, investment manager or adviser, Distributor, sub-distributor, administration agent, registrar or custodian in relation to, or be otherwise involved in, other funds or collective investment schemes which have similar investment objectives to the Company's ones.

The Management Company, the Investment Manager and their delegates (if any) will enter into all transactions on an arm's length basis. The directors of the Management Company, the directors of the Investment Manager (if any), their delegates (if any) and any affiliate thereof, members, and staff may engage in various business activities other than their business, including providing consulting and other services (including, without limitation, serving as director) to a variety of partnerships, corporations and other entities, not excluding those in which the Company invests.

In the due course of their business, the above persons and entities may have potential conflicts of interest with the Company.

Any kind of conflict of interest is to be fully disclosed to the Board of Directors.

In such event, each person and entities will at all times endeavour to comply with its obligations under any agreements to which it is party or by which it is bound in relation to the Company.

The directors of the Management Company, the directors of the Investment Manager, the directors of their delegates (if any) and their members will devote the time and effort necessary and appropriate to the business of the Company.

Although it is aimed to avoid such conflicts of interest, the Management Company, the Investment Manager (if any), their delegates (if any) and their members will attempt to resolve all nonetheless arising conflicts in a manner that is deemed equitable to all parties under the given circumstances so as to serve the best interests of the Company and its Shareholders.

Allocation of shortfalls among Classes: the right of holders of any Class of Shares to participate in the assets of the Company is limited to the assets (if any) and all the assets will be available to meet all of the liabilities of the Company, regardless of the different amounts stated to be payable on the separate Classes. For example, if on a winding-up of the Company, the amounts received by the Company's assets (after payment of all fees, expenses and other liabilities) are insufficient to pay the full redemption amount payable in respect of all Classes of Shares, each Class of Shares will rank *pari passu* with each other Class of Shares and the proceeds will be distributed equally amongst the Shareholders pro rata to the amount paid up on the Shares held by each Shareholder.

*Consequences of winding-up proceedings:* If the Company fails for any reason to meet its obligations or liabilities, or is unable to pay its debts, a creditor may be entitled to make an application for the winding-up of the Company. The commencement of such proceedings may entitle creditors (including the Swap Counterparty) to terminate contracts with the Company and claim damages for any loss arising from such early termination. The commencement of such proceedings may result in the Company being dissolved at a time and its assets being realised and applied to pay the fees and expenses of the appointed liquidator or other insolvency officer, then in satisfaction of debts preferred by law and then in payment of the Company's liabilities, before any surplus is distributed to the Shareholders of the Company. In the event of proceedings being commenced, the Company may not be able to pay the full amounts in respect of any Class.

## **6. ISSUE, REDEMPTION AND CONVERSION OF SHARES**

Shares will be issued in registered form only.

Fractional entitlements to Shares will be rounded to 4 decimal places. Subject to the restrictions described hereinafter, Shares are freely transferable and are each entitled to participate equally in the profits and liquidation proceeds attributable to each Class of the relevant Compartment. The rules governing such allocation are set forth under Section 11.3 "Allocation of Assets and Liabilities among the Compartments".

As further described in each relevant Appendix, the Company may create within each Compartment different Classes of Shares whose assets will be commonly invested pursuant to the specific investment policy of the relevant Compartment.

A distinct fee structure, currency of denomination, dividend policy minimum holding amount, eligibility requirements or other specific feature may apply to each Class of Shares. The Compartments may notably issue Classes of Shares reserved to retail investors ("R" Shares) and Shares reserved to institutional investors ("I" Shares), subject to the provisions of the relevant Appendix. The range of available Classes and their features are described hereinafter under Section "Form of Shares And Classes" under each Compartment's Appendix.

The Company may, on behalf of its Compartments, also issue currency hedged Classes of Shares subject to the provisions of each Appendix.



The list of the Classes of Shares available is detailed in Section "Form of Shares and Classes" under each Compartment's Appendix.

## **6.1 Subscription Redemption and Conversion requests**

Unless otherwise provided for a specific Compartment in the relevant Appendix, requests for subscription, redemption and conversion of Shares should be sent to the Company at its registered address in Luxembourg. Subscription, Redemption and Conversion requests must be made using the standard subscription/ redemption/conversion forms provided by the Company.

Requests for subscriptions, redemptions and conversions are irrevocable.

Subscription, redemption and conversion of Shares can be made on any Valuation day.

Subscriptions, redemption and conversion requests will be carried out at the applicable NAV.

Unless otherwise specified in the Appendix to the Prospectus for any Compartment, requests for subscriptions, redemptions and conversions must be received before 11 a.m. ("**Cut-Off**") on the relevant Valuation Day. Requests received after the Cut-Off will be processed on the next Valuation Day.

The Company does not permit late trading or market timing (as set out in CSSF circular 04/146) or related excessive short-term trading practices. The Company has the right to reject any request for the subscription or conversion of Shares from any investor engaging in such practices or suspected of engaging in such practices and to take such further action as it may deem appropriate or necessary.

Subscription, redemption and conversion of Shares of a given Compartment shall be suspended whenever the determination of the net asset value per Share of such Compartment is suspended by the Company.

The Company may enter into agreements with Distributors pursuant to which the applicable Distributor agrees to act as or to appoint nominees for investors subscribing for Shares through their facilities. In such capacity the Distributors or their Sub-distributors may effect subscriptions, conversion and redemptions of Shares in the nominee name on behalf of investors and request the registration of such transactions on the register of Shareholders of the Company in the nominee name.

The appointed nominee maintains its own records and provides the investor with individualised information as to its holdings of Shares in the Company. However, except where local law or custom prohibits the practice, investors may invest directly in the Company and any Shareholder holding Shares in a nominee account with a distributor has the right at all time to ask for the transfer of the Shares to its name so as to be registered directly in the register of the Company.

Conversions from one Class of Shares to another Class of Shares within the same Compartment or across the Compartments are permitted provided that the relevant Shareholder satisfies the eligibility requirements and minimum holding amounts set out in the table hereinafter and such other conditions applicable to the contemplated Classes.

Conversion may be requested on a common Valuation Day for the original Class and the contemplated Class. The number of Shares issued upon conversion will be based upon the Redemption Price of the original Class and the net asset value of the contemplated Class. The Company is entitled to any charges arising from conversions and any rounding adjustment.

## **6.2 Deferral of Redemptions and Conversion**

If the total requests for redemption and conversion out of a Compartment on any Valuation Day exceed 10% of the total value of Shares in issue of that Compartment, the Company may decide that redemption and conversion requests in excess of 10% shall be deferred until the next Valuation Day. On the next

Valuation Day, or Valuation Days until completion of the original requests, deferred requests will be dealt with in priority to later requests.

### **6.3 Settlement of Subscriptions and Redemptions**

If, on the Settlement Day as determined in the relevant Appendix, banks are not open for business, or an interbank settlement system is not operational, in the country of the currency of the relevant Class, then settlement will be on the next Business Day on which those banks and settlement systems are open. Payment for Shares must be received by the Company in the Class Currency of the relevant Class. Requests for subscriptions in any other major freely convertible currency will only be accepted if so determined by the Company. Confirmation of completed subscriptions, redemptions and conversions will normally be dispatched on the Business Day following the execution of the transaction.

The Board may on a discretionary basis accept settlement of the Issue Price in specie. The costs inherent to such subscription in specie will be borne by the contributing investor(s) unless the contribution in kind appears in the best interest of the Company.

Failure to make good settlement by the Settlement Day may result in the Company bringing an action against the defaulting investor or its financial intermediary or deducting any costs or losses incurred by the Company against any existing holding of the applicant in the Company. In all cases any money returnable to the investor will be held by the Company without payment of interest pending receipt of the remittance.

Redemption payments will be paid in the Class Currency of the Class by Bank transfer within 3 Business Days of the relevant Valuation Day.

Shares redeemed by the Company become null and void.

The Company is not responsible for any delays or charges incurred at any receiving bank or settlement system. A Shareholder may request, at its own cost and subject to agreement by the Company that their redemption proceeds be paid in a currency other than the Reference Currency of the relevant Class.

If, in exceptional circumstances, redemption proceeds cannot be paid within the period specified above, payment will be made as soon as reasonably practicable thereafter (not exceeding, however, 10 Business Days) at the Redemption Price of the relevant Valuation Day, it being understood that the Board of Directors will always ensure the overall liquidity of the Company.

Investors are advised to refer to the terms and conditions applicable to subscriptions, which may be obtained by contacting the Company.

No redemption payments will be made until the original application form and relevant subscription monies have been received from the Shareholder and all the necessary anti-money laundering checks have been completed. Redemption proceeds will be paid on receipt of faxed instructions where such payment is made into the account specified by the Shareholder in the original application form submitted. However, any amendments to the Shareholder's registration details and payment instructions can only be effected upon receipt of original documentation.

### **6.4 Minimum Subscription and Holding Amounts and Eligibility for Shares**

A minimum initial and subsequent subscription amount and minimum holding amounts for each Class may be set forth, as further detailed in Section "Form of Shares And Classes" under each Compartment's Appendix. The Company has the discretion, from time to time, to waive or reduce any applicable minimum subscription amounts.

The right to transfer, redeem or convert Shares is subject to compliance with any conditions (including any minimum subscription or holding amounts and eligibility requirements) applicable to the Class from which the redemption or conversion is being made, and also the Class into which the conversion is to be effected.

The Board of Directors may also, at any time, decide to compulsorily redeem all Shares from Shareholders whose holding is less than the minimum holding amount specified in the relevant Appendix of each Compartment or who fail to satisfy any other applicable eligibility requirements set out above. In such case the Shareholder concerned will receive one month's prior notice so as to be able to increase its holding above such amount or otherwise satisfy the eligibility requirements.

If a redemption or conversion request would result in the amount remaining invested by a Shareholder falling below the minimum holding amount of that Class, such request will be treated as a request to redeem or convert, as appropriate, the Shareholder's total holding in that Class. If the request is to transfer Shares, then that request may be refused by the Company.

Shareholders are required to notify the Company immediately in the event that they are or become US Persons or hold Shares for the account or benefit of US Persons or hold Shares in breach of any law or regulation or otherwise in circumstances having, or which may have, adverse regulatory, tax or fiscal consequences for the Company or the Shareholders or otherwise be detrimental to the interests of the Company. If the Company becomes aware that a Shareholder is holding Shares in breach of any law or regulation or otherwise in circumstances having, or which may have, adverse regulatory, tax or fiscal consequences for the Company or the Shareholders or would otherwise be detrimental to the interests of the Company or that the Shareholder has become or is a US Person, the Company may, in its sole discretion, redeem the Shares of the Shareholder in accordance with the provisions of the Articles. For the purpose of the above, "US Person" shall have the meaning given in Regulation S under the U.S. Securities Act of 1933, as amended, and shall mean any national, citizen or resident of the United States of America or of any of its territories or possessions or areas subject to its jurisdiction or any person who is normally resident therein (including the estate of any such person or corporations or partnerships created or organised therein).

The Company reserves the right to accept or refuse any subscription in whole or in part and for any reason. The Company may also limit the distribution of a given Class to specific countries. The Company may restrict the distribution of the Company's Shares by distributors or agents who have not been approved. The Company may also restrict or prevent the ownership of Shares by any person, firm or corporation, if such ownership may be against the interests of the Company or of the majority of Shareholders or of Class therein.

Where it appears that a person who should be precluded from holding Shares, either alone or in conjunction with any other person, is a beneficial owner of Shares, the Company may compulsorily redeem all Shares so owned in accordance with the provisions of the Articles.

The Company may, in its absolute discretion, delay the acceptance of any subscription for Shares of a Class restricted to institutional investors until such date as it has received sufficient evidence of the qualification of the investor as an institutional investor.

## **6.5 Anti-Money Laundering Procedures**

Pursuant to the AML Regulations, obligations have been imposed inter alia on UCI as well as on professionals of the financial sector to prevent the use of UCI for money laundering purposes. Within this context a procedure for the identification of potential investors and Shareholders has been imposed. Namely, the requests for subscription must be accompanied, in the case of individuals, by a certified copy of the investor's passport or identification card and, in the case of legal entities, by a certified copy of the investor's articles of incorporation and, where applicable, an extract from the commercial register

or a copy of such other documents as may be requested as verification of the identity and address of the individual or legal entity.

This identification procedure must be complied with by CACEIS Bank, Luxembourg Branch, acting as registrar and transfer agent (or the relevant competent agent of registrar and transfer agent) in the case of direct subscriptions to the Company, and in the case of subscriptions received by the Company from any intermediary resident in a country that does not impose on such intermediary an obligation to identify investors equivalent to that required under AML Regulations.

CACEIS Bank, Luxembourg Branch, acting as registrar and transfer agent may request any such additional documents, as it deems necessary to establish the identity of the investors or beneficial owners. Any information provided to the Company in this context is collected for anti-money laundering compliance purposes only.

## **6.6 Transfer of Shares**

Subject to the restrictions described herein, Shares are freely transferable and are each entitled to participate equally in the profits and liquidation proceeds attributable to the relevant Class.

The transfer of Shares may normally be carried out by delivery to the Company of an instrument of transfer in appropriate form. On the receipt of the transfer request, and after reviewing the endorsement(s), signature(s) may be required to be certified by an approved bank, stock broker or public notary.

The right to transfer Shares is subject to the minimum investment and holding requirements applicable to the relevant Class of Shares as detailed above, and in the relevant Appendix.

Shareholders are advised to contact the relevant distributor, sales agent or the Company prior to requesting a transfer to ensure that they have the correct documentation for the transaction.

## **7. DISTRIBUTION POLICY**

The general policy regarding the appropriation of net income and capital gains is as follows: Certain Class being capital appreciation Classes of Shares, the Board of Directors will recommend at the annual general meeting the reinvestment of their net assets.

Certain Class of Shares being distributing Class of shares, the Board of Directors may decide to distribute interim dividends either in the form of cash in the relevant currency or in the form of reinvestment by the purchase of Shares of the same Class.

No dividends will be distributed if it would lead the assets of the Company to fall below the amount of 1,250,000 EUR.

Dividends must in any case result from a decision of the Shareholders in general meeting, subject to a majority vote of those present or represented and within limits provided by law, and a concurring decision at the same majority in the relevant Compartment.

Should the Shareholders, at an annual general meeting, decide any distributions in respect of distribution Shares (if issued) these will be paid within one month of the date of the annual general meeting.

Dividends unclaimed after five years from the date of declaration will lapse and revert to the Company in the relevant Compartment.

## 8. CHARGES & EXPENSES

The Company shall bear the following expenses:

- all taxes which may be payable on the assets, income and expenses chargeable to the Company;
- market standard brokerage fees and related services (such as researches fees) and charges originating from the Company's business transactions;
- all fees to be paid to the Management Company, the Investment Manager ;
- all fees to be paid to the Administration Agent, the Transfer and Registrar Agent, the Domiciliary Agent and the Depositary
- all expenses of independent valuation agents
- all fees due to the Board of Directors of the Company, the correspondent banks and to the Auditor;
- all fees due to any sub-paying agent, to representatives in foreign countries and any other agents;
- all fees due to the legal advisors or similar administrative charges, incurred by the Company, the Management Company (including the Management Company Fee, the costs related to risk management and investment compliance monitoring activities, the costs related to the production and update of the KIIDs) and the Depositary for acting on behalf of the Shareholders;
- all reasonable expenses of the Board of Directors of the Company, the Management Company, the Administration Agent and the Depositary;
- all expenses connected with publications and the supply of information to Shareholders, in particular the cost of printing global certificates and proxy forms for general meetings for the Shareholders, the cost of publishing the Issue and Redemption Prices, and also the cost of printing, the distribution of the annual and semi-annual reports, the Prospectus as well as the KIID;
- all expenses involved in registering and maintaining the registration of the Company with all governmental agencies and stock exchanges;
- all expenses incurred in connection with its operation and its management (e.g. insurance and interests) also including all extraordinary and irregular expenses which are normally incurred by the Company;
- all recurring expenses will be charged first against current income, then, should this not suffice, against realised capital gains, and, if necessary, against asset.

The Company shall pay out of its assets fees which shall cover the remuneration of the Management Company, the Investment Manager (if any), the Administration Agent and the Depositary as further described hereinafter.

### 8.1 Management Company Fee

For all Share Classes launched in consideration of its services, the Management Company is entitled to receive a management company fee ("**Management Company Fee**") up to the maximum rate 0.06 % calculated on the average net assets of the Company.

The Management Company is entitled to a minimum fee of Euro 50.000.- p.a., due in case the Management Company Fees referenced above as a % rate result to a lower amount.

## **8.2 Depositary and Administration Agent fee**

For all Share Classes launched the Administration agent shall receive a minimum annual fee of Euro 18.000 (this amount will not applied the first six months).

The Depositary shall receive for the monitoring and safekeeping of the assets, a variable annual fee of 0.05% calculated on the average net assets of the Company.

In addition, sub-custodian fees will be charged separately (annual variable commission of 0.005% of the net assets of the Company).

The Depositary and Administration Fee will be for all share classes a fee of up to 0.10% calculated on the average net assets of the Company.

## **8.3 Investment Manager Fee**

The Investment Manager shall receive an Investment Management fee that is calculated as a percentage of the net asset value of each Class of Shares in each Compartment prior to accrual of performance fees (other than realised performance fees due to redemption), as further specified in the relevant Appendix.

## **8.4 Distribution Fee and Entry Fee**

For all the Share Classes launched in any of the Compartments, the Distributors shall receive a global distribution fee up to 0.18% calculated on the NAV of the relevant Class of Share and payable quarterly.

The Sub-distributors, the Placement Agents or the Distributors may receive an Entry Fee amounting to max 5% of the amount subscribed by the investors (as further specified in Section "Form of Shares and Classes" of the relevant Appendix).

The Entry Fee shall be withheld from the amount subscribed by the investor.

The Sub-distributors, Placement Agents or the Distributors may receive an Exit Fee amounting to max 5% (as further specified in Section "Form of Shares and Classes" of the relevant Appendix), which will be levied on the amount of redemption monies.

## **8.5 Total Expense Ratio**

This ratio expresses the sum of all costs and commissions charged on an ongoing basis to the Company's assets taken retrospectively as a percentage of the Company's average assets.

The latest calculated TER can be found in the Company's financial report.

## **9. DETERMINATION OF THE NET ASSET VALUE PER SHARE**

The Net Asset Value of each Class of Shares of each Compartment shall be expressed in the Class Currency of each Class of Shares. The Net Asset Value shall be determined by the Administration Agent on each Valuation Day and on any such day that the Board may decide from time to time by dividing the net assets of the Company attributable to each Compartment by the number of outstanding Shares of that Compartment.

The Administration Agent calculates the Net Asset Value for each Class of Shares in each Compartment on the Valuation Day.

The calculation of the Net Asset Value of the Shares of any Compartment and the issue, redemption, and conversion of the Shares of any Compartment may be suspended in the following circumstances, in addition to any circumstances provided for by law:

1. during any period (other than ordinary holidays or customary weekend closings) when any market or stock exchange is closed which is the principal market or stock exchange for a significant part of the Compartment's investments, or in which trading is restricted or suspended;
2. during any period when an emergency exists as a result of which it is impossible to dispose of investments which constitute a substantial portion of the assets of the Compartment, or it is impossible to transfer money involved in the acquisition or disposal of investments at normal rates of exchange, or it is impossible to fairly determine the value of any assets in the Compartment;
3. during any breakdown in the means of communication normally employed in determining the price of any of the Compartment's investments or the current prices on any stock exchange;
4. when for any reason beyond the control of the Board of Directors, the prices of any investment held by the Compartment cannot be reasonably, promptly or accurately ascertained;
5. when calculating the net asset value of a UCITS/UCIs in which the Compartment has invested a substantial portion of the assets of one or more Compartments one or more classes is suspended or unavailable, or where the issue, redemption or conversion of shares or units of such UCITS or other UCI is suspended or restricted;
6. in the event of the publication of the convening notice to a general meeting of Shareholders at which a resolution to wind up or merge the Company or one or more Compartments is to be proposed or;
7. during any period when in the opinion of the Board of Directors there exist circumstances outside the control of the Company where it would be impracticable or unfair towards the Shareholders to continue dealing in Shares of any of the Compartments, or,
8. during any period when remittance of money which will or may be involved in the purchase or sale of any of the Compartment's investments cannot, in the opinion of the and/or the Board of Directors, be effected at normal rates of exchange.

The suspension of the calculation of the net asset value and of the issue, redemption, and conversion of shares of any Compartment shall be published in a daily newspaper in Luxembourg and in another newspaper generally available in jurisdictions in which the Company is registered.

The value of the assets of each Class of Shares of each Compartment is determined as follows:

The assets of the Company contain the following:

1. all fixed-term deposits, money market instruments, cash in hand or cash expected to be received or cash contributions including interest accrued;
2. all debts which are payable upon presentation as well as all other money claims including claims for purchase price payment not yet fulfilled that arise from the sale of investment fund Shares or other assets;
3. all investment fund Shares;
4. all dividends and distributions due in favour of the Company, as far as they are known to the Company;
5. all interest accrued on interest-bearing securities that the Company holds, as far as such interest is not contained in the principal claim;
6. all financial rights which arise from the use of derivative instruments;

7. the provisional expenses of the Company, as far as these are not deducted, under the condition that such provisional expenses may be amortised directly from the capital of the Company;
8. all other assets of what type or composition, including prepaid expenses.

The value of such assets is fixed as follows:

1. Investment funds are valued at their net asset value;
2. Liquid assets are valued at their nominal value plus accrued interest;
3. Fixed term deposits are valued at their nominal value plus accrued interest. Fixed term deposits with an original term of more than 30 calendar days can be valued at their yield adjusted price if an arrangement between the Company and the bank, with which the fixed term deposit is invested has been concluded including that the fixed term deposits are terminable at any time and the yield adjusted price corresponds to the realisation value;
4. Commercial papers are valued at their nominal value plus accrued interest. Commercial papers with an original term of more than 90 calendar days can be valued at their yield adjusted price if an arrangement between the Company and the bank, with which the commercial paper is invested has been concluded including that the commercial papers are terminable at any time and the yield adjusted price corresponds to the realisation value;
5. Securities or financial instruments admitted for official listing on a Regulated Market are valued on the basis of the last available price at the time when the valuation is carried out. If the same security is quoted on a Regulated Markets, the quotation on the principal market for this security will be used. If there is no relevant quotation or if the quotations are not representative of the fair value, the evaluation will be made in good faith by the Board of Directors or their delegate;
6. Unlisted securities or financial instruments are valued on the basis of their probable value realisation as determined by the Board of Directors or their delegate using valuation principles which can be examined by the Auditor, in order to reach a proper and fair valuation of the total assets of the Company;
7. Any other assets are valued on the basis of their probable value realisation as determined by the Board of Directors or their delegate using valuation principles which can be examined by the Auditor, in order to reach a proper and fair valuation of the total assets of the Company;
8. The valuation of derivatives traded over-the-counter (OTC), such as futures, forward or option contracts not traded on exchanges or on other recognised markets, will be based on their net liquidating value determined, pursuant to the policies established by the Board of Directors on the basis of recognised financial models in the market and in a consistent manner for each category of contracts. The net liquidating value of a derivative position is to be understood as being equal to the net unrealised profit/loss with respect to the relevant position;
9. In the event that it is impossible or incorrect to carry out a valuation in accordance with the above rules owing to particular circumstances, the Board of Directors or their delegate shall be entitled to use other generally recognised valuation principles which can be examined by an Auditor, in order to reach a proper valuation of the total assets of each Compartment;

The liabilities of the Company contain the following:

1. all loans, bills of exchange and other sums due, including deposits of security such as margin accounts, etc. In connection with the use of derivative instruments; and



2. all administrative expenses that are due or have been incurred, including the costs of formation and registration at the registration offices as well as legal fees, auditing fees, all fees of the Management Company, the Administration Agent, the Investment Manager (if any), the Depositary and all other representatives and agents of the Company, the costs of mandatory publications, the Prospectus and the KIID, conclusions of transactions and other documents which are made available to the Shareholders. If the fee rates agreed between the Company and the employed service providers (such as the Management Company, the Administration Agent, Depositary or Investment Manager (if any)) for such services deviate with regard to individual Classes, the corresponding varying fees shall be charged exclusively to the respective Class; and
3. all known liabilities, whether due or not, including dividends that have been declared but not yet been paid; and
4. a reasonable sum provided for taxes, calculated as of the day of the valuation as well as other provisions and reserves approved by the Board of Directors; and
5. all other liabilities of the Company, of whatever nature, vis-à-vis third parties; however, each Compartment shall be exclusively responsible for all debts, liabilities and obligations attributable to it.

For the purpose of valuing its liabilities, the Company may include all administrative and other expenses of a regular or periodic nature by valuing these for the entire year or any other period and apportioning the resulting amount proportionally to the respective expired period of time. The method of valuation may only apply to administrative or other expenses which concern all of Shares equally.

For the purpose of valuation within the scope of this chapter, the following applies:

Shares that are redeemed in accordance with the provisions under Section "Issue, Redemption And Conversion of Shares" above shall be treated as existing Shares and shall be posted until immediately after the point in time set by the Board of Directors for carry out the valuation; from this point in time until the price is paid, they shall be treated as a liability of the Company; and

All investments, cash in hand and other assets of any fixed assets that are not in the denomination of the Share Class concerned shall be converted at the exchange rate applicable on the day of the calculation of net asset value, taking into consideration their market value; and

On every Valuation Day, all purchases and sales of securities which were contracted by the Company on this very Valuation Day must be included in the valuation to the extent possible.

## **10. TAXATION**

### **10.1 The Company**

Under current law and practice, the Company is not liable to any Luxembourg income tax, nor are dividends paid by the Company liable to any Luxembourg withholding tax.

However, any Class reserved to retail investors is liable in Luxembourg to a "*taxe d'abonnement*" of 0.05% per annum of its net assets, such tax being payable quarterly and calculated on the total Net Asset Value of each Class at the end of the relevant quarter.

Any Class reserved to institutional investors is liable in Luxembourg to a "*taxe d'abonnement*" of 0.01% per annum of their net assets. Such tax being payable quarterly and calculated on the total Net Asset Value of each Class at the end of the relevant quarter.

For Compartments whose exclusive policy is the investment in money market instruments, it would qualify for the reduced "*taxe d'abonnement*" of 0.01% per annum.

No tax is payable in Luxembourg on realised or unrealised capital appreciation of the assets of the Company. Although the Company's realised capital gains, whether short- or long-term, are not expected to become taxable in another country, the Shareholders must be aware and recognise that such a possibility, though quite remote, is not totally excluded.

The regular income of the Company from some of its securities as well as interest earned on cash deposits in certain countries may be liable to withholding taxes at varying rates, which normally cannot be recovered.

As a result of recent developments in EU law concerning the scope of the VAT exemption for management services rendered to investment funds, VAT on some of the fees paid out of the assets of the Company to remunerate service providers might be applied.

## **10.2 Shareholders**

### **(a) Taxation of Luxembourg resident shareholders**

#### **(i) Individual shareholders**

Dividends and other payments derived from the Shares by resident individuals shareholders, who act in the course of the management of either their private wealth or their professional / business activity, are subject to income tax at the progressive ordinary rate with a top effective marginal rate for the year 2015 of 40% per cent for a taxable income of more than EUR 100,000 (class 1 and 1a taxpayers) / EUR 200,000 (class 2 taxpayers, i.e. household of 2 persons). The maximum aggregate income tax rate will thus be of 42.8% (including the solidarity surcharge of 7%) for a taxable income ranging from EUR 100,000 to EUR 150,000 for class 1 and 1a taxpayers (or EUR 200,000 to EUR 300,000 for class 2 taxpayers) and 43.6% (including the solidarity surcharge of 9%) for a taxable income exceeding EUR 150,000 for class 1 and 1a taxpayers (or EUR 300,000 for class 2 taxpayers). Under current Luxembourg tax laws, 50 per cent of the gross amount of dividends received by resident individuals from (i) a fully-taxable Luxembourg resident company limited by share capital (*société de capitaux*), (ii) a company limited by share capital (*société de capitaux*) resident in a State with which Luxembourg has concluded a double tax treaty and liable to a tax corresponding to Luxembourg corporate income tax or (iii) a company resident in a EU Member State and covered by Article 2 of the EU Parent-Subsidiary Directive is exempt from income tax.

A tax credit is as a rule granted for the 15 per cent withholding tax (where relevant).

Capital gains realised on the disposal of the Shares by resident individual shareholders, who act in the course of the management of their private wealth, are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation. Capital gains are deemed to be speculative gains and are subject to income tax at ordinary rates if the Shares are disposed of within six months after their acquisition or if their disposal precedes their acquisition. A participation is deemed to be substantial where a resident individual shareholder holds, either alone or together with his spouse/partner and/or minor children, directly or indirectly at any time within the five years preceding the disposal, more than ten per cent of the share capital of the Company. Capital gains realised on a substantial participation more than six months after the acquisition thereof are subject to income tax according to the half-global rate method, (i.e. the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realised on the substantial participation). A shareholder is also deemed to alienate a substantial participation if he acquired free of charge, within five years preceding the transfer, a participation that was constituting a substantial participation in the hands of the alienator (or the alienators in case of successive transfers free of charge within the same five-year period). A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the Shares.

Capital gains realised on the disposal of the Shares by resident individual shareholders, who act in the course of their professional / business activity, are subject to income tax at ordinary rates. Taxable gains are determined as being the difference between the price for which the Shares have been disposed of and the lower of their cost or book value.

(ii) Luxembourg resident corporate shareholders

Dividends and other payments derived from the Shares by a Luxembourg fully-taxable resident company are subject to corporate income tax and municipal business tax, unless the conditions of the participation exemption regime, as described below, are satisfied.

Should the conditions of the participation exemption not be fulfilled, 50 per cent of the dividends received by a Luxembourg fully-taxable resident company from the Company are exempt from corporate income tax and municipal business tax. A tax credit is as a rule granted for the 15 per cent withholding tax and any excess may be refundable.

Under the participation exemption regime, dividends derived from the Shares by a Luxembourg fully-taxable resident company may be exempt from income tax if cumulatively (i) the shareholder is a Luxembourg resident fully-taxable company and (ii) at the time the dividend is put at the shareholder's disposal, the shareholder has held or commits itself to hold for an uninterrupted period of at least 12 months a Qualified Shareholding in the Company (i.e. at least ten per cent of the share capital of the Company or an acquisition price of at least EUR 1.2 million). Liquidation proceeds are assimilated to receive dividends for the purpose of the participation exemption and may be exempt under the same conditions. Shares held through a fiscally transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity.

Capital gains realised by a Luxembourg fully-taxable resident company on the Shares are subject to income tax at ordinary rates, unless the conditions of the participation exemption regime, as described below, are satisfied. Taxable gains are determined as being the difference between the price for which the Shares have been disposed of and the lower of their cost or book value.

Under the participation exemption regime, capital gains realised on the Shares by a Luxembourg fully-taxable resident company may be exempt from income tax at the level of the shareholder if cumulatively (i) the shareholder is a Luxembourg resident fully-taxable company and (ii) at the time the capital gain is realised, the shareholder has held or commits itself to hold for an uninterrupted period of at least 12 months Shares representing a direct participation (a) in the share capital of the Company of at least ten per cent or (b) of an acquisition price of at least EUR six million. Shares held through a fiscally transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity.

(iii) Tax exempt shareholders

A shareholder who is either (i) an undertaking for collective investment subject to the amended law of 20 December 2002 or the law of 2010 Law, (ii) a specialised investment fund governed by the law of 13 February 2007, or (iii) a family wealth management company governed by the law of 11 May 2007, is exempt from income tax in Luxembourg. Dividends derived from and capital gains realised on the Shares are thus not subject to income tax in their hands.

(b) Taxation of Luxembourg non-residents shareholders

Non-resident shareholders who have neither a permanent establishment nor a permanent representative in Luxembourg to which or whom the Shares are attributable are generally not liable to any Luxembourg income tax, whether they receive payments of dividends or realise capital gains upon sale of Shares, except for a potential withholding tax (see above) and/or capital gains realised on a substantial participation (see above) (i) before the acquisition or within the first six months of the acquisition thereof or (ii) when the beneficiary was a Luxembourg tax resident for more than 15 years and became

a non-resident less than 5 years prior to the realisation of the said capital gains that are subject to income tax in Luxembourg at ordinary rates (subject to the provisions of an applicable double tax treaty).

Dividends received by a Luxembourg permanent establishment or permanent representative, as well as capital gains realised on the Shares, are subject to Luxembourg income tax, unless the conditions of the participation exemption regime are satisfied i.e. if cumulatively (i) the Shares are attributable to a qualified permanent establishment ("**Qualified Permanent Establishment**") and (ii) at the time the dividend is put at the disposal of the Qualified Permanent Establishment, it has held or commits itself to hold for an uninterrupted period of at least 12 months a Qualified Shareholding (i.e. at least ten per cent of the share capital of the Company or an acquisition price of at least EUR 1.2 million). A Qualified Permanent Establishment means (a) a Luxembourg permanent establishment of a company covered by Article 2 of the EU Parent-Subsidiary Directive, (b) a Luxembourg permanent establishment of a company limited by share capital (*société de capitaux*) resident in a State having a tax treaty with Luxembourg and (c) a Luxembourg permanent establishment of a company limited by share capital (*société de capitaux*) or a cooperative society (*société coopérative*) resident in the European Economic Area other than a EU Member State. If the conditions of the participation exemption are not fulfilled, 50 per cent of the gross amount of dividends received by a Luxembourg permanent establishment or permanent representative is exempt from income tax. A tax credit is further granted for the 15 per cent withholding tax.

Under the participation exemption regime, capital gains realised on the Shares may be exempt from income tax if cumulatively (i) the Shares are attributable to a Qualified Permanent Establishment and (ii) at the time the capital gain is realised, the Qualified Permanent Establishment has held or commits itself to hold for an uninterrupted period of at least twelve months Shares representing a direct participation in the share capital of the Company (a) of at least ten per cent or (b) of an acquisition price of at least EUR six million.

(c) Inheritance tax and gift tax

Under Luxembourg tax law, where an individual shareholder is a resident of Luxembourg for inheritance tax purposes at the time of his/her death, the Shares are included in his or her taxable basis for inheritance tax purposes. On the contrary, no inheritance tax is levied on the transfer of the Shares upon death of a shareholder in cases where the deceased was not a resident of Luxembourg for inheritance purposes.

(d) EU Savings Directive

The Luxembourg parliament voted the draft Law n°6668 enacting the automatic exchange of information for interest payments within the EU as from 1 January 2015, in the frame of the EU Savings Directive. Such draft Law has become the law of 25 November 2014, published in the memorial dated 27 November 2014 (hereinafter in this Section referred to as the "Savings Law").

The EU Savings Directive applied in Luxembourg via the transitional period under which interest payments are subject to a withholding tax ended up on 31 December 2014.

From 1 January 2015, Luxembourg applies the automatic exchange of information on interest payments made by a paying agent established in Luxembourg to individuals resident in another EU Member State.

Concretely, the paying agent shall report the following information regarding the beneficial owner of the payment:

- identity and residence of the beneficial owner;
- name and address of the paying agent;
- account number of the beneficial owner or, where there is none, identification of the debt claim giving rise to the interest;

- total amount of the interest payment or similar income.

Paying agents must disclose this information until 20 March following the year in which the payment of interest has occurred.

If communication is late or inaccurate, the paying agent may incur a maximum administrative penalty of 0.5% of the amount that should have been communicated.

The Luxembourg tax authorities then automatically transmit that information to the competent authority of the Member State where the recipient is established. Communication should be done at least once a year and no later than June 30 following the end of the calendar year.

As from 2016, the Savings Law will be progressively replaced by the law of 18 December 2015 on Common Reporting Standard ("CRS") as detailed below. With respect to interest income generated from January 2016 on, the Savings Law will only apply to the extent that CRS would not be applicable.

#### Automatic Exchange of information under Common Reporting Standard

On 18 December 2015 the Luxembourg introduced into local laws a "Common Reporting Standard" ("CRS") for automatic exchange of information in tax matters, which has become applicable in January 2016. Under this law, so called Financial Institutions (which definition includes investment funds such as the Company is) have to provide to the Luxembourg tax authorities before 30 June of each year the reportable information corresponding to the previous year (hence for the first time regarding income generated in 2016, on June 2017). Information to be exchanged include the total balance of account of each Shareholder, whether individuals or entities, and the exchange will take place with all EU Member States as well as with a growing number of other non EU countries which have entered into an agreement or declared officially there intention to participate.

### **10.3 FATCA**

#### **(a) General Rules and Legal background**

FATCA is part of the U.S. Hiring Incentives to Restore Employment Act. It is designed to prevent U.S. tax payers from avoiding U.S. tax on their income by investing through foreign financial institutions and offshore funds.

FATCA applies to so called Foreign Financial Institutions ("**FFIs**"), which notably include certain investment vehicles, among which the Company.

According to the FATCA Rules, FFIs, unless they can rely under ad-hoc lighter or exempted regimes, need to report to the Internal Revenue Service (the "**IRS**") certain holdings by/ and payments made to a/ certain U.S. investors b/ certain U.S. controlled foreign entity investor, c/ non U.S. financial institution investors that do not comply with their own obligations under FATCA and d/clients that are not able to document clearly their FATCA status ("**US Accounts**"). Investors not properly documented or not complying with their FATCA obligations may also suffer a 30% withholding tax on so called "withholdable payments".

On 28 March 2014, the Luxembourg government and the U.S. governments entered into a Intergovernmental Agreement under the so-called Model I which aims to coordinate and facilitate the reporting obligations under FATCA with other U.S. reporting obligations of reporting Luxembourg FFIs.

According to the terms of the IGA, the Company will have to report to the Luxembourg tax authorities instead of directly to the IRS. Information on US Accounts will be communicated onward by the Luxembourg authorities to the IRS under the general information exchange provisions of the U.S. Luxembourg income tax treaty. Information reportable will include:

- name, address, US tax identification number of each US investor / US beneficial owner of a non US investor;
- US account number;
- value of the account.

Information on payments credited or paid to US Account holders will need to be communicated for the first time in 2016 for the civil year 2015.

#### (b) Other parties

Additional intergovernmental agreements similar to the IGA have been entered into or are under discussion by other jurisdictions with the U.S. Investors holding investments via distributors or custodians that are not in Luxembourg or in another IGA country should check with such distributors or custodians as to the distributor's or custodian's intention to comply with FATCA. Additional information may be required by the Company, custodians or distributors from certain investors in order to comply with their obligations under FATCA or under an applicable IGA.

The law transposing the IGA has been passed on 1 July 2015 by the Luxembourg Parliament.

The foregoing is only a summary of the implications of FATCA, is based on the current interpretation thereof and does not purport to be complete in all respects.

Investors should contact their own tax adviser regarding the application of FATCA to their particular circumstances.

#### (c) General Rules and Legal background

FATCA is part of the U.S. Hiring Incentives to Restore Employment Act. It is designed to prevent U.S. tax payers from avoiding U.S. tax on their income by investing through foreign financial institutions and offshore funds.

FATCA applies to so called Foreign Financial Institutions ("**FFIs**"), which notably include certain investment vehicles, among which the Company.

According to the FATCA Rules, FFIs, unless they can rely under ad-hoc lighter or exempted regimes, need to report to the Internal Revenue Service (the "**IRS**") certain holdings by/ and payments made to a/ certain U.S. investors b/ certain U.S. controlled foreign entity investor, c/ non U.S. financial institution investors that do not comply with their own obligations under FATCA and d/clients that are not able to document clearly their FATCA status ("**US Accounts**"). Investors not properly documented or not complying with their FATCA obligations may also suffer a 30% withholding tax on so called "withholdable payments".

On 28 March 2014, the Luxembourg government and the U.S. governments entered into a Intergovernmental Agreement under the so-called Model I which aims to coordinate and facilitate the reporting obligations under FATCA with other U.S. reporting obligations of reporting Luxembourg FFIs.

According to the terms of the IGA, the Company will have to report to the Luxembourg tax authorities instead of directly to the IRS. Information on US Accounts will be communicated onward by the Luxembourg authorities to the IRS under the general information exchange provisions of the U.S. Luxembourg income tax treaty. Information reportable will include:

- name, address, US tax identification number of each US investor / US beneficial owner of a non US investor;

- US account number;
- value of the account.

Information on payments credited or paid to US Account holders will need to be communicated for the first time in 2016 for the civil year 2015.

(d) Other parties

Additional intergovernmental agreements similar to the IGA have been entered into or are under discussion by other jurisdictions with the U.S. Investors holding investments via distributors or custodians that are not in Luxembourg or in another IGA country should check with such distributors or custodians as to the distributor's or custodian's intention to comply with FATCA. Additional information may be required by the Company, custodians or distributors from certain investors in order to comply with their obligations under FATCA or under an applicable IGA.

The law transposing the IGA has been passed on 1 July 2015 by the Luxembourg Parliament.

The foregoing is only a summary of the implications of FATCA, is based on the current interpretation thereof and does not purport to be complete in all respects.

Investors should contact their own tax adviser regarding the application of FATCA to their particular circumstances.

## **11. GENERAL INFORMATION**

### **11.1 Meetings**

The annual general meeting of Shareholders will be held at the registered office of the Company in Luxembourg on the first Monday the month of April at noon or, in the event of a public holiday, on the next Business Day to the extent required by Luxembourg law. Notices will be sent to the holders of registered Shares recorded by the transfer agent in the Share register of the Company by post at least 8 calendar days prior to the meeting at their addresses shown on the register of Shareholders. Such notices will include the agenda and will specify the time and place of the meeting and the conditions of admission. They will also refer to the rules of quorum and majorities required by Luxembourg law and laid down in Articles 67 and 67-1 of the Luxembourg law of 10 August 1915 on commercial companies (as amended) and in the Articles of the Company.

In the case of a merger where the Company is the absorbed UCITS (within the meaning of the Law), the general meeting of the Shareholders, has to approve, and decide on the effective date of, such merger by a resolution adopted with no quorum requirement and at a simple majority of the votes cast at such meeting.

Each Share confers the right to one vote. The vote on the payment of a dividend on a particular Class requires a separate majority vote from the meeting of Shareholders of the Class concerned. Any change in the Articles affecting the rights of a Class or a Compartment, must be approved by a resolution of both the general meeting of the Company and the Shareholders of the Class or the Compartment concerned, as applicable.

The Board of Directors draws the investors' attention to the fact that any investor will only be able to fully exercise his investor rights directly against the Company, notably the right to participate in general shareholders' meetings if the investor is registered himself and in his own name in the shareholders' register of the Company. In cases where an investor invests in the Company through an intermediary investing into the Company in his 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.

## **11.2 Reports and Accounts**

Audited annual reports shall be published within 4 months following the end of the accounting year and unaudited semi-annual reports shall be published within 2 months following the period to which they refer. The annual and semi-annual reports shall be made available at the registered offices of the Company, the Depositary, the representatives and paying agents during ordinary office hours. The Company's accounting year ends on 31 December each year and the first accounting year will end in 31 December 2016.

The Reference Currency of the Company is the EUR. The aforesaid reports will comprise consolidated accounts of the Company expressed in EUR as well as individual information on each Compartment expressed in the Reference Currency of each Compartment as determined in the relevant Appendix.

## **11.3 Allocation of assets and liabilities among the Compartments**

For the purpose of allocating the assets and liabilities between the Compartments, the Board of Directors has established a pool of assets for each Compartment in the following manner:

- I. the proceeds from the issue of each Share of each Compartment are to be applied in the books of the Company to the pool of assets established for that Compartment and the assets and liabilities and income and expenditure attributable thereto are applied to such pool subject to the provisions set forth hereafter;
- II. Where any asset is derived from another asset, such derivative asset is applied in the books of the Company to the same pool as the asset from which it was derived and on each revaluation of an asset, the increase or diminution in value is applied to the relevant pool;
- III. Where the Company incurs a liability which relates 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;
- IV. in the case where any asset or liability of the Company cannot be considered as being attributable to a particular pool, such asset or liability is allocated to all the pools in equal parts or, if the amounts so justify, pro rata to the net asset values of the relevant Compartments;
- V. upon the payment of dividends to the holders of Shares in any Compartment, the net asset value of such Compartment shall be reduced by the amount of such dividends.

If there have been created within each Compartment different classes of Shares, the rules shall *mutatis mutandis* apply for the allocation of assets and liabilities amongst Classes.

## **11.4 Merger or Liquidation of Compartments**

The Board of Directors may decide to liquidate any Compartment if a change in the economic or political situation relating to the Compartment concerned would justify such liquidation or if required by the interests of the Shareholders of any of the Compartments concerned. The decision of the liquidation will be notified to the Shareholders concerned prior to the effective date of the liquidation and the notification will indicate the reasons for, and the procedures of, the liquidation operations. Unless the Board of Directors otherwise decides in the interests of the Shareholders of the Compartment concerned, they may continue to request redemption or conversion of their Shares on the basis of the applicable Net Asset Value, taking into account the estimated liquidation expenses. Assets which could not be distributed to their beneficiaries upon the close of the liquidation of the Compartment will be deposited with the *Caisse de Consignation* on behalf of their beneficiaries.

Termination of a Compartment for reasons other than those mentioned in the preceding paragraph, may be effected only upon prior approval by the Shareholders of the Compartment to be terminated, at a duly convened Compartment's Shareholders meeting which may be validly held without quorum and may decide by a simple majority of the Shareholders of the relevant Compartment present or represented.



The Board of Directors may decide to merge any Compartment into another Compartment or into another UCITS or a compartment within such UCITS (whether established in Luxembourg or another Member State or whether such UCITS is incorporated as a company or is a contractual type fund) (the "**new Compartment**"), in compliance with the procedures laid down in Chapter 8 of the Law. Such decision will be notified to Shareholders in the same manner as described in the preceding paragraph and, in addition, the notification will contain information in relation to the new Compartment in accordance with the Law and related regulations. Such notification will be made at least 30 calendar days before the last day for requesting the redemption or conversion of the Shares, free of charge.

## **12. LIQUIDATION OF THE COMPANY**

The Company is incorporated for an unlimited period and liquidation shall normally be decided upon by an extraordinary general meeting of Shareholders. Such a meeting must be convened by the Board of Directors within 40 calendar days if the net assets of the Company become less than two thirds of the minimum capital required by law. The meeting, for which no quorum shall be required, shall decide on the dissolution by a simple majority of Shares represented at the meeting. If the net assets fall below one fourth of the minimum capital, the dissolution may be resolved by Shareholders holding one fourth of the Shares at the meeting.

Should the Company be liquidated, such liquidation shall be carried out in accordance with the provisions of the Law and which specifies the steps to be taken to enable Shareholders to participate in the liquidation distributions and in this connection provides for deposit in escrow at the *Caisse de Consignation* in Luxembourg of any such amounts which it has not been possible to distribute to the Shareholders at the close of liquidation. Amounts not claimed within the prescribed period are liable to be forfeited in accordance with the provisions of Luxembourg law. The net liquidation proceeds of each Compartment shall be distributed to the Shareholders of the relevant Compartment in proportion to their respective holdings.

## **13. MATERIAL CONTRACTS**

The following material contracts have been entered into:

The Management Company Agreement between the Company and Pharus Management Lux S.A. pursuant to which the latter acts as management company of the Company. This Agreement is entered into for an unlimited period and may be terminated by either party upon three months written notice.

The Depositary Agreement between the Company and CACEIS Bank, Luxembourg Branch pursuant to which the latter was appointed depositary, paying agent and domiciliary agent. The Agreement is entered into for an unlimited period and may be terminated by either party upon three months' written notice.

The Central Administration Services Agreement between the Company and Pharus Management Lux S.A. pursuant to which the first acts as registrar and transfer agent -and administration agent of the Company. The Agreement is entered into for an unlimited period and may be terminated by either party upon three months written notice.

The Investment Management Agreement between the Company, Pharus Management Lux S.A. and CGM, Compagnie de Gestion Privée Monegasque pursuant to which the latter acts as investment manager of the Company. The Agreement is entered into for an unlimited period and may be terminated by either party upon three months written notice.

#### **14. DOCUMENTS AVAILABLE TO INVESTORS**

Copies of the contracts mentioned above are available for inspection, and copies of the Articles, the current Prospectus, the KIID for each Compartment and the latest financial reports may be obtained free of charge during normal office hours at the registered office of the Company in Luxembourg.

#### **15. SHAREHOLDER INFORMATION**

The Company and/ or the Management Company will publish on its website (<http://www.pharusmanco.lu>), if appropriate, any Shareholder notices of the Company required by Luxembourg law or as provided in the Articles of Incorporation.

#### **16. COMPLAINT HANDLING**

Complaints of shareholders may be filed with the Management Company, the Administration Agent, the Depositary and any paying agent or distributor.

Complaints will be dealt with properly in a timely manner.

## **17. APPENDIX I - Emerald Euro Investment Grade Bond**

### **17.1 Investment Objective**

The Compartment's primary investment objective is to provide long-term capital appreciation by investing in the Investment Grade EURO-denominated bond market, with the aim to outperform the reference index Barclays Euro Aggregate, by minimizing risk factor concentration via a maximally diversified portfolio.

Since this Compartment is not managed as an index-tracking vehicle, its performance may diverge significantly from the benchmark index, which is used merely for comparison purposes.

### **17.2 Investment Strategy**

At least 51% of the Compartment's assets are constantly kept invested to the Investment Grade EURO-denominated bond market, including mainly sovereigns, government agencies, covered bond and corporates.

In order to obtain maximum remuneration of its liquidities, the Compartment may also trade in other money market instruments (bonds with maturity lower than 1 year), as well as in cash deposits. Cash deposits may not exceed 20% of the assets of the Compartment.

The Compartment may hold cash on an ancillary basis.

To achieve its investment objective, the Compartment may invest in derivative instruments for hedging and for investment purposes, each time in compliance with the limitations set-out in the Law and applicable regulations. Types of derivatives instruments used by the Investment Manager will be futures and options.

In addition, the Compartment may engage in securities lending operations for the purpose of efficient portfolio management, in accordance with the rules and limits set out in Section 3.5 "Financial Techniques and Instruments" in the main body of the Prospectus, and subject to the limits described further below in this Appendix. For the time being, the Compartment does not engage in securities lending operations.

The Compartment may borrow cash on a temporary basis up to the limit of 10% in order to cover its technical needs only.

The Compartment does not intend to invest in other funds.

The historical performance of the Compartment will be published in the KIID of each Class of Shares. Past performance are not indicative of future results.

#### **Limits applicable to this Compartment pursuant to the SFTR**

The maximum proportion of assets under management of the Compartment that can be subject to SFTs and TRS is as follows:

<u>Securities lending</u>	<u>0%</u>
<u>Securities borrowing</u>	<u>0%</u>
<u>Repurchase agreements</u>	<u>0%</u>
<u>Buy-sell back transaction</u>	<u>0%</u>
<u>Sell-buy back transaction</u>	<u>0%</u>
<u>TRS</u>	<u>0%</u>

The current expected proportion of assets of the Compartment that will be subject to SFTs and TRS under this Compartment is as follows:

Securities lending	0%
Securities borrowing	0%
Repurchase agreements	0%
Buy-sell back transaction	0%
Sell-buy back transaction	0%
TRS	0%

Should it is contemplated for the Compartment to enter into securities lending in the future, this Appendix will be prior updated accordingly.

### Investor profile

The Compartment is suitable for both experienced and less experienced investors. The investor must be able to accept temporary losses, thus the Compartment is suitable for investors who can afford to set aside the capital for at least 3-5 years.

### 17.3 Reference Currency

The reference currency of the Compartment is Euro.

### 17.4 Form of Shares and Classes

The schedules hereafter describe the features of the different Classes of Shares and sub-classes of Shares which may currently be issued by the Compartment.

Share Classes	R Class	RR Class	I Class	II Class
Share Class Name	<b>EMERALD EURO INVESTMENT GRADE BD-R EUR ACC</b>	<b>EMERALD EURO INVESTMENT GRADE BD-RR EUR ACC</b>	<b>EMERALD EURO INVESTMENT GRADE BD-I EUR ACC</b>	<b>EMERALD EURO INVESTMENT GRADE BD-II EUR ACC</b>
ISIN Code	LU1336188211	LU1462002228	LU1336188484	LU1462003622
Targeted Investors and eligibility requirements	Retail	Retail investing through certain distribution channels subject to express authorisation by the Investment Manager	Institutional	Institutional
Class Currency	EURO	EURO	EURO	EURO
Distribution policy	Capitalisation	Capitalisation	Capitalisation	Capitalisation

<b>Minimum subscription and holding and subsequent subscription</b>	EUR 1,000	EUR 1,000	EUR 5,000,000.00 at first subscription and EUR 1,000,000.00 for any subsequent subscription	EUR 1,000,000.00 at first subscription and EUR 250,000.00 for any subsequent subscription
<b>Valuation Day</b>	Daily	Daily	Daily	Daily
<b>Settlement Day</b>	Third Business Day following the Valuation Day	Third Business Day following the Valuation Day	Third Business Day following the Valuation Day	Third Business Day following the Valuation Day
<b>Entry fees</b>	Up to 5%	Up to 5%	Up to 3%	Up to 3%
<b>Exit fees</b>	Up to 5%	Up to 5%	Up to 3%	Up to 3%

Subject to the eligibility requirements and minimum holding amounts mentioned above, the Shares Classes of the Compartment are (i) Retail ("**R Class**" and "**RR Class**"), and (ii) Institutional ("**I Class**" and "**II Class**") denominated in EURO. The RR Class is available for retail investors expressly authorized by the Investment Manager. The RR Class is set-up in order to accommodate with the technical constraints of certain distributors. The Compartment does not distribute dividends but it reinvests them (capitalization).

The minimum subscription and holding amount for both the R Class and the RR Class is EUR 1,000. The minimum initial subscription amount for the I Class is EUR 5,000,000 and EUR 1,000,000 for any subsequent subscriptions. The minimum initial subscription amount for the II Class is EUR 1,000,000 and EUR 250,000 for any subsequent subscriptions.

For all Classes the Valuation Day is daily and the Settlement Day is third Business Day following the Valuation Day. The initial issue price is EUR 100.

### **17.5 Investment Manager Fee**

The Investment Manager shall receive an Investment Management fee that is calculated as a percentage of the net asset value of each Class of Shares prior to accrual of performance fees (other than realised performance fees due to redemption).

Investment Manager Fees per Class are as follows:

- Class R Shares – up to 1.05% p.a.
- Class RR Shares – up to 1.25% p.a.
- Class I Shares – up to 0.55% p.a.
- Class II Shares – up to 0.65% p.a.

The Investment Manager fees are accrued daily and payable quarterly in arrears.

## 17.6 Performance Fee

The Investment Manager is entitled to receive a Performance Fee calculated for each Class of Shares as follows:

### Performance fees of Class R Shares:

Quarterly Performance Fee of 10% of the performance of the Class over the performance of the index FTSE 3-Month Euro Eurodeposit LCL (SBWMEU3L Index).

Shareholders should be aware that based on this principle a Performance Fee might be payable to the Investment Manager even if there was a decrease in value of the NAV of the Class over the relevant quarter notwithstanding the level of performance realized over the previous quarters. The amount of Performance Fee payable is calculated on the basis of the last Valuation Day of the relevant quarter.

### Performance fees of Class RR Shares:

Quarterly Performance Fee of 15% of the performance of the Class over the performance of the index FTSE 3-Month Euro Eurodeposit LCL (SBWMEU3L Index).

Shareholders should be aware that based on this principle a Performance Fee might be payable to the Investment Manager even if there was a decrease in value of the NAV of the Class over the relevant quarter notwithstanding the level of performance realized over the previous quarters. The amount of Performance Fee payable is calculated on the basis of the last Valuation Day of the relevant quarter.

### Performance fees of Class I Shares:

Quarterly Performance Fee of 20% of the performance of the Class over the performance of the index Barclays Euro Aggregate index [LBEATREU]. Shareholders should be aware that based on this principle a Performance Fee might be payable to the Investment Manager even if there was a decrease in value of the NAV of the Class over the relevant quarter notwithstanding the level of performance realized over the previous quarters. The amount of Performance Fee payable is calculated on the basis of the last Valuation Day of the relevant quarter.

### Performance fees of Class II Shares:

Quarterly Performance Fee of 25% of the performance of the Class over the performance of the index Barclays Euro Aggregate index [LBEATREU]. Shareholders should be aware that based on this principle a Performance Fee might be payable to the Investment Manager even if there was a decrease in value of the NAV of the Class over the relevant quarter notwithstanding the level of performance realized over the previous quarters. The amount of Performance Fee payable is calculated on the basis of the last Valuation Day of the relevant quarter.

Performances Fees are accrued on each Valuation Day.

The Performance Fee is calculated on the basis of the NAV after deduction of all expenses, liabilities and Investment Manager Fees (but not the Performance Fee).

In case of redemptions on any Valuation Day, the pro rata of the performance accrual that relates to such redeemed Shares will be considered as due to the Investment Manager regardless of the performance of the Compartment after such net redemption.

## **18. APPENDIX II - Emerald Euro Inflation-Linked Bond**

### **18.1 Investment Objective**

The Compartment's primary investment objective is to provide long-term capital appreciation by mainly investing in the Investment Grade Inflation-Linked EURO-denominated bond market, with the aim to outperform the reference index (**EGOI Index** - BofA Merrill Lynch Euro Inflation-Linked Government Index), by minimizing risk factor concentration via a maximally diversified portfolio.

Since this Compartment is not managed as an index-tracking vehicle, its performance may diverge significantly from the benchmark index, which is used merely for comparison purposes.

### **18.2 Investment Strategy**

At least 51% of the Compartment's assets are constantly kept invested to the Investment Grade Inflation-Linked EURO-denominated bond market, mainly sovereigns. Due to the high concentration of the main issuers in the European Inflation-Linked bond market, the Compartment's exposure to a single sovereign issuer (e.g. French Government) could be high, in compliance with item III. (6) of Section 3.1 "General Investment Policies for all Compartments" above. In order to achieve its objectives, the Compartment may invest more than 35% of its assets in the following government bond issuers: Germany, French, Italy and Spain.

The rest of the Compartment assets may be invested in Investment Grade Euro-denominated bonds or other money market instruments (bonds with maturity lower than 1 year), as well as in cash deposits.

Cash deposits may not exceed 20% of the assets of the Compartment.

To achieve its investment objective, the Compartment may invest in derivative instruments for hedging and for investment purposes, each time in compliance with the limitations set-out in the Law and applicable regulations. Types of derivatives instruments used by the Investment Manager will be futures and options.

In addition, the Compartment may engage in securities lending operations for the purpose of efficient portfolio management, in accordance with the rules and limits set out in Section 3.5 "Financial Techniques and Instruments" in the main body of the Prospectus and subject to the limits described further below in this Appendix. For the time being, the Compartment does not engage in securities lending operations.

The Compartment may borrow cash on a temporary basis up to the limit of 10% in order to cover its technical needs only.

The Compartment does not intend to invest in other funds.

The historical performance of the Compartment will be published in the KIID of each Class of Shares. Past performance are not indicative of future results.

### **Limits applicable to this Compartment pursuant to the SFTR**

The maximum proportion of assets under management of the Compartment that can be subject to SFTs and TRS is as follows:

<u>Securities lending</u>	0%
<u>Securities borrowing</u>	0%
<u>Repurchase agreements</u>	0%

Buy-sell back transaction	0%
Sell-buy back transaction	0%
TRS	0%

The current expected proportion of assets of the Compartment that will be subject to SFTs and TRS under this Compartment is as follows:

Securities lending	0%
Securities borrowing	0%
Repurchase agreements	0%
Buy-sell back transaction	0%
Sell-buy back transaction	0%
TRS	0%

Should it is contemplated for the Compartment to enter into securities lending in the future, this Appendix will be prior updated accordingly.

### Investor profile

The Compartment is suitable for both experienced and less experienced investors. The investor must be able to accept temporary losses, thus the Compartment is suitable for investors who can afford to set aside the capital for at least 3-5 years.

### 18.3 Reference Currency

The reference currency of the Compartment is the Euro.

### 18.4 Form of Shares and Classes

The schedules hereafter describe the features of the different Classes of Shares and sub-classes of Shares which may currently be issued by the Compartment.

Share Classes	R Class	I Class
Share Class Name	<b>Emerald Euro Inflation-Linked Bond -R EUR ACC</b>	<b>Emerald Euro Inflation-Linked Bond-I EUR ACC</b>
ISIN Code	LU1737062783	LU1737062866
Targeted Investors and eligibility requirements	Retail	Institutional
Class Currency	EURO	EURO
Distribution policy	Capitalisation	Capitalisation



<b>Minimum subscription and holding and subsequent subscription</b>	EUR 1,000 at first subscription and EUR 1,000 for any subsequent subscription	EUR 1,000,000.00 at first subscription and EUR 250,000.00 for any subsequent subscription
<b>Valuation Day</b>	Daily	Daily
<b>Settlement Day</b>	Third Business Day following the Valuation Day	Third Business Day following the Valuation Day
<b>Entry fees</b>	Up to 5%	Up to 3%
<b>Exit fees</b>	Up to 5%	Up to 3%

Subject to the eligibility requirements and minimum holding amounts mentioned above, the Shares Classes of the Compartment are (i) Retail ("**R Class**"), and (ii) Institutional ("**I Class**") denominated in EURO. The Compartment does not distribute dividends but it reinvests them (capitalization).

The minimum subscription and holding amount for the R Class is EUR 1,000 and EUR 1,000 for any subsequent subscription. The minimum initial subscription amount for the I Class is EUR 1,000,000.00 and EUR 250,000.00 for any subsequent subscriptions.

For all Classes the Valuation Day is daily and the Settlement Day is third Business Day following the Valuation Day. The initial issue price is EUR 100.

### **18.5 Investment Manager Fee**

The Investment Manager shall receive an Investment Management fee that is calculated as a percentage of the net asset value of each Class of Shares prior to accrual of performance fees (other than realised performance fees due to redemption).

Investment Manager Fees per Class are as follows:

- Class R Shares – up to 1.15% p.a.
- Class I Shares – up to 0.60% p.a.

The Investment Manager fees are accrued daily and payable quarterly in arrears.

### **18.6 Performance Fee**

The Investment Manager is entitled to receive a Performance Fee calculated for each Class of Shares as follows:

Performance fees of Class R Shares:

Quarterly Performance Fee of 12.5% of the performance of the Class over the performance of the index FTSE 3-Month Euro Eurodeposit LCL (SBWMEU3L Index).

Shareholders should be aware that based on this principle a Performance Fee might be payable to the Investment Manager even if there was a decrease in value of the NAV of the Class over the relevant quarter notwithstanding the level of performance realized over the previous quarters. The amount of Performance Fee payable is calculated on the basis of the last Valuation Day of the relevant quarter.

Performance fees of Class I Shares:

Quarterly Performance Fee of 22.5% of the performance of the Class over the performance of the index EGOI Index - BofA Merrill Lynch Euro Inflation-Linked Government Index.

Shareholders should be aware that based on this principle a Performance Fee might be payable to the Investment Manager even if there was a decrease in value of the NAV of the Class over the relevant quarter notwithstanding the level of performance realized over the previous quarters. The amount of Performance Fee payable is calculated on the basis of the last Valuation Day of the relevant quarter.

Performances Fees are accrued on each Valuation Day.

The Performance Fee is calculated on the basis of the NAV after deduction of all expenses, liabilities and Investment Manager Fees (but not the Performance Fee).

In case of redemptions on any Valuation Day, the pro rata of the performance accrual that relates to such redeemed Shares will be considered as due to the Investment Manager regardless of the performance of the Compartment after such net redemption.

## **ANNEX 1 - ADDITIONAL INFORMATION FOR INVESTORS IN SWITZERLAND**

### **1. Representative**

The representative in Switzerland of the Company is CACEIS (Switzerland) S.A., with its registered office at, Route de Signy 35, 1260 Nyon, Switzerland (the “**Swiss Representative**”).

### **2. Paying agent**

The paying agent in Switzerland of the Company is CACEIS Bank, Paris, succursale de Nyon / Suisse, with its registered office at, Route de Signy 35, 1260 Nyon, Switzerland (the “**Swiss Paying Agent**”).

### **3. Place where the relevant documents may be obtained**

The Prospectus and the Key Investor Information Document(s), the Articles, as well as, the annual and semi-annual reports of the Company may be obtained free of charge from the Swiss Representative.

### **4. Retrocessions and rebates**

The Company and its agents may pay retrocessions to distributors and sales partners for distribution activities of the Company’s shares in or from Switzerland. This indemnity enables to remunerate notably the following services:

- distribution activity;
- client introduction activity;
- private placement & marketing activities.

Retrocessions are not considered as rebates, even if they are finally totally or partially paid to the investors.

In accordance with Swiss law, the recipients of the retrocessions must ensure transparent disclosure and inform investors, unsolicited and free of charge, about the remunerations they could receive for the distribution.

Upon request, they must disclose the amounts they actually receive for the distribution of the collective investment schemes.

The Management Company and/or the Company and their/its agents may pay rebates, upon request of final investors, within the context of the distribution in or from Switzerland. The purpose of the rebates is to reduce the fees or costs charged to the investors concerned. Rebates are permitted provided that:

- they are paid from fees received by the Company respectively the fund management company and therefore do not represent an additional charge on the fund assets;
- they are granted on the basis of objective criteria;
- all investors who meet these objective criteria and demand rebates are also granted these within the same timeframe and to the same extent.

The objective criteria for the granting of rebates by the Company, respectively, the Management Company are as follows:

- the volume subscribed by the investor or the total volume they hold in the Company or, where applicable, in the product range of the promoter;
- the amount of the fees generated by the investor;

- the investment behaviour shown by the investor (e.g. expected investment period);
- the investor's willingness to provide support in the launch phase of the investment fund.

At the request of the investor, the investment fund respectively the Management Company must disclose the amounts of such rebates free of charge.

## **5. Place of performance and jurisdiction**

In respect of the Company's shares distributed in and from Switzerland, the place of performance and jurisdiction is at the registered office of the Swiss Representative.