

H2O ADAGIO FCP

PROSPECTUS

DATED 6 JULY 2023

I GENERAL FEATURES

NAME: H2O ADAGIO FCP

Hereinafter referred to in this document as “the Fund” or “UCITS” or “the Fund”.

LEGAL FORM AND COUNTRY IN WHICH THE UCITS WAS ESTABLISHED:

French mutual fund (FCP).

INCEPTION DATE AND EXPECTED DURATION:

The Fund was created on 1 October 2020, for 99 years, as part of a demerger transaction provided for in Article L.214-8-7 of the French Monetary and Financial Code.

DATE OF APPROVAL BY AMF:

The Fund was approved by the *Autorité des marchés financiers* (AMF), the French Financial Markets Authority, on 15 September 2020.

SUMMARY OF THE MANAGEMENT OFFERING:

Unit classes	Target subscribers	Minimum initial subscription	Minimum subsequent subscription	ISIN code	Allocation of distributable income	Base currency	Initial net asset value
HGBP-R (C) unit****	All subscribers, although private individuals in particular	GBP 100	1 ten-thousandth of a unit	FR0012489730	Accumulation	GBP	Estimated value at the demerger date
EUR-Q (C) unit	Subscriptions in this unit are reserved to employees and entities of the H2O AM Group	EUR 20,000	1 ten-thousandth of a unit	FR0013425287	Accumulation	EUR	Estimated value at the demerger date
EUR-I (C) unit	All subscribers, although institutional investors in particular	EUR 100,000	1 ten-thousandth of a unit	FR0010929794	Accumulation	EUR	Estimated value at the demerger date
EUR-I (C/D) unit	All subscribers, although institutional investors in particular	EUR 100,000	1 ten-thousandth of a unit	FR0012916682	Accumulation / Distribution	EUR	Estimated value at the demerger date
HUSD-I (C)* unit	All subscribers, although institutional investors in particular	USD 100,000	1 ten-thousandth of a unit	FR0011981786	Accumulation	USD	Estimated value at the demerger date
HCHF-I (C) unit***	All subscribers, although institutional investors in particular	CHF 100,000	1 ten-thousandth of a unit	FR0011981794	Accumulation	CHF	Estimated value at the demerger date

HGBP-I (C) unit****	All subscribers, although institutional investors in particular	GBP 100,000	1 ten- thousandth of a unit	FR0011981810	Accumulation	GBP	Estimated value at the demerger date
HAUD-I (C) unit*****	All subscribers, although institutional investors in particular	AUD 150,000	1 ten- thousandth of a unit	FR0013186756	Accumulation	AUD	Estimated value at the demerger date
EUR- N(C) unit	Subscription to this unit is reserved for investors subscribing via distributors or intermediaries that are subject to national legislation prohibiting all retrocessions to distributors, or that provide an independent advisory service as defined by the European MiFID II regulation or an individual portfolio management service under mandate	1 ten-thousandth of a unit	1 ten- thousandth of a unit	FR0013186772	Accumulation	EUR	Estimated value at the demerger date
HCHF-N (C) unit ***	Subscription to this unit is reserved for investors subscribing via distributors or intermediaries that are subject to national legislation prohibiting all retrocessions to distributors, or that provide an independent advisory service as defined by the European MiFID II regulation or an individual portfolio management service under mandate	1 ten-thousandth of a unit	1 ten- thousandth of a unit	FR0013321692	Accumulation	CHF	Estimated value at the demerger date
EUR-R (C) unit	All subscribers, although private individuals in particular	1 ten-thousandth of a unit	1 ten- thousandth of a unit	FR0013393188	Accumulation	EUR	Estimated value at the demerger date
HSGD- R (C) unit**	All subscribers, although private individuals in particular	1 ten-thousandth of a unit	1 ten- thousandth of a unit	FR0013393196	Accumulation	SGD	Estimated value at the demerger date
HUSD- R (C) unit *	All subscribers, although private individuals in particular	1 ten-thousandth of a unit	1 ten- thousandth of a unit	FR0013393204	Accumulation	USD	Estimated value at the demerger date
HCHF- R unit***	All subscribers, although private individuals in particular	1 ten-thousandth of a unit	1 ten- thousandth of a unit	FR0013393212	Accumulation	CHF	Estimated value at the demerger date

* Unit systematically hedged against EUR/USD exchange rate risk

** Unit systematically hedged against EUR/SGD exchange rate risk

*** Unit systematically hedged against EUR/CHF exchange rate risk

**** Unit systematically hedged against EUR/GBP exchange rate risk

***** Unit systematically hedged against EUR/AUD exchange rate risk

❑ **ADDRESS FROM WHICH THE LATEST ANNUAL AND INTERIM REPORTS AND ASSET COMPOSITION CAN BE OBTAINED:**

The latest annual reports and portfolio statements will be sent to the unitholder within eight business days of receiving a written request addressed to:

H2O AM EUROPE

39 Avenue Pierre 1er de Serbie
75008 Paris, France

Email: info@h2o-am.com

Further information may be obtained from H2O AM EUROPE at the above address, or from your usual adviser.

❑ **INFORMATION FOR PROFESSIONAL INVESTORS:**

The Management Company may send the breakdown of the UCI's portfolio to investors classified as professional investors by the ACPR, the AMF or equivalent European authorities, for the sole purpose of calculating regulatory requirements under Directive 2009/138/EC (Solvency II).

II KEY PARTIES

❑ **MANAGEMENT COMPANY:**

H2O AM EUROPE

Legal form: Société anonyme par actions simplifiée [simplified joint stock company]

Authorised by the Autorité des Marchés Financiers (AMF), the French Financial Markets Authority, under number GP-19000011

39 Avenue Pierre 1er de Serbie
75008 Paris, France

❑ **DEPOSITARY, CUSTODIAN**

Company name: CACEIS BANK

Legal form: Credit institution approved by the ACPR (former CECEI)

Registered office: 89-91 Rue Gabriel Péri, 92120 Montrouge, France

Postal address: 12 Place des États-Unis, CS 40083, 92549 Montrouge Cedex, France

The Depositary performs its duties in accordance with the applicable provisions of the laws and regulation and the depositary agreement entered into with the Management Company. This includes ensuring the lawfulness of the decisions of the Management Company. It must, if necessary, take any protective measures it deems necessary. In case of dispute with the Management Company, it informs the Financial Markets Authority.

The Depositary is independent from the Management Company.

The description of the delegated custody functions, the list of delegates and delegates of CACEIS Bank in France and the information relating to conflicts of interest that may result from these delegations are available on the website of CACEIS: www.caceis.com.

Updated information is made available to investors by the depositary upon request.

❑ **CLEARING HOUSE:**

Company name: CACEIS BANK

Legal form: Credit institution approved by the ACPR (former CECEI)

Registered office: 89-91 Rue Gabriel Péri, 92120 Montrouge, France

Postal address: 12 Place des États-Unis, CS 40083, 92549 Montrouge Cedex, France

The Management Company has delegated to CACEIS Bank the Fund's liability accounting and unit

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registration functions which is thus responsible for the clearing and processing of subscription and redemption requests relating to the Fund's units.

❑ **PRIME BROKER:**

None

❑ **STATUTORY AUDITOR:**

Cabinet KPMG AUDIT

Represented by Mrs Isabelle BOUSQUIE

Registered office: Tour EQHO, 2 Avenue Gambetta, CS 60055, 92066 Paris La Défense Cedex, France

❑ **DISTRIBUTORS:**

H2O AM EUROPE

Legal form: Société anonyme par actions simplifiée [simplified joint stock company]

Nationality: French

Authorised by the Autorité des Marchés Financiers (AMF), the French Financial Markets Authority, under number GP-19000011

Address: 39 Avenue Pierre 1er de Serbie, 75008 Paris, France

The marketing agent is the entity that markets the Fund. This list of marketing agents is not exhaustive, insofar as the Fund is listed on Euroclear.

The Fund's Management Company would like to remind subscribers that not all marketing agents are appointed by or known to the company.

❑ **REPRESENTATIVES:**

Party responsible for accounting:

Company name: CACEIS Fund Administration, which provides the Fund's accounting management and valuation on behalf of H2O AM EUROPE

Registered office: 89-91 Rue Gabriel Péri, 92120 Montrouge, France

Postal address: 12 Place des États-Unis, CS 40083, 92549

Montrouge Cedex, France

Nationality: French

Delegation of investment management:

Company name: H2O MONACO S.A.M.

Legal form: a Monaco société anonyme (public limited company), authorised by the Commission de contrôle des activités financières [Commission for the Control of Financial Activities – Monaco] under number SAF 2017-04

Registered office: 24, boulevard Princesse Charlotte Monte Carlo, 98000 Monaco

The delegated investment manager will contribute partially to the investment management of the Fund alongside the Management Company.

The Management Company has not identified any conflicts of interest that may arise from such arrangements.

III OPERATING AND MANAGEMENT CONDITIONS

1 General features:

❑ **CHARACTERISTICS OF THE UNITS:**

- ◆ Rights associated with the class of units:

Each unitholder has co-ownership rights proportional to the number of units held.

Information on changes affecting the Fund is communicated to shareholders by any means in line with the instructions of the Autorité des Marchés Financiers, the French Financial Markets Authority,

hereinafter “the AMF.” Management of the Fund, which has no corporate personality and for which the rules concerning undivided ownership and companies have been waived, is carried out by the Management Company acting on behalf of the unitholders and in their exclusive interest.

- ♦ Entry in a register, or establishment of procedures for liability accounting:

Liability accounting is handled by CACEIS BANK.
The units are administered by EUROCLEAR France.

- ♦ Voting rights:

The units do not carry any voting rights. Management of the Fund is carried out by the Management Company, which acts on behalf of the holders and in their exclusive interest.

The Management Company’s voting policy may be consulted at the Management Company’s registered office or at www.h2o-am.com.

- ♦ Type of units: bearer
- ♦ Division of units:

The R (C), HUSD-R(C), HSGD-R(C), HGBP-R(C), HCHF-R(C), I(C), I(C/D), HUSD-I(C), HCHF-I(C), HGBP-I(C), HAUD-I(C), N(C), HGBP-N(C), HCHF-N(C) and Q(C) units are divided into ten-thousandths.

□ **FINANCIAL YEAR END:**

Last trading day in September.
The end of the first financial year was the last trading day in September 2021.

□ **INFORMATION ON THE TAXATION SYSTEM:**

The Fund is not subject to taxation in and of itself. Depending on your tax system, any capital gains and income related to the holding of any UCI shares or units may be subject to taxation. The applicable tax system therefore depends on the tax provisions regarding the unitholder’s individual situation and place of residence. Investors are advised to consult their usual financial advisers for information on the procedures that personally apply to them. We recommend that you seek advice on this matter.

2 Specific provisions

□ **ISIN CODE:**

Units	ISIN code
EUR-I (C) unit	FR0010929794
EUR-I (C/D) unit	FR0012916682
HGBP-R unit	FR0012489730
HUSD-I (C) unit	FR0011981786
HCHF-I (C) unit	FR0011981794
HGBP-I (C) unit	FR0011981810
EUR-Q unit	FR0013425287
HAUD-I (C) unit	FR0013186756
EUR-N (C) unit	FR0013186772
HCHF-N (C) unit	FR0013321692

EUR-R (C) unit	FR0013393188
HSGD-R (C) unit	FR0013393196
HUSD-R (C) unit	FR0013393204
HCHF-R (C) unit	FR0013393212

❑ **CLASSIFICATION:**

Bonds and other international debt securities.

❑ **HOLDING OF UNITS OR SHARES OF OTHER UCIS (UCITS OR AIFs) OR INVESTMENT FUNDS:**

The Fund invests up to 10% of its net assets in units or shares of other UCIs (UCITS or AIFs) or investment funds.

❑ **MANAGEMENT OBJECTIVE:**

For EUR-Q, EUR-I (C), EUR-I (C/D), EUR-N and EUR-R units

The Fund's objective is to outperform the daily capitalised €STR by 1.25% per year over its minimum recommended investment period for EUR-Q units, by 1% per year over its minimum recommended investment period for EUR-I C and EUR-I C/D units, to outperform the daily capitalised €STR by 0.45% per year over its minimum recommended investment period for R units and to outperform the daily capitalised €STR by 0.90% per year over its minimum recommended investment period for EUR-N units, after the deduction of operating and management fees.

For HUSD-I and HUSD-R units

The management objective is to outperform the daily capitalised SOFR (Secured Overnight Financing Rate) by 1% over its minimum recommended investment period for HUSD-I units and by 0.45% over its minimum recommended investment period for HUSD-R units after the deduction of management and operating fees.

For HCHF-I, HCHF-N and HCHF-R units

The management objective is to outperform the daily capitalised SARON (Swiss Average Overnight Rate) by 1% over its minimum recommended investment period for HCHF-I units, by 0.90% over its minimum recommended investment period for HCHF-N units and by 0.45% over its minimum recommended investment period for HCHF-R units after the deduction of management and operating fees.

For HSGD-R units

The management objective is to outperform the 1-month SIBOR (Singapore Interbank Offered Rate) by 0.45% over its minimum recommended investment period for HSGD-R units after the deduction of management and operating fees.

For HGBP-R and HGBP-I units

The management objective is to outperform the daily capitalised SONIA (Sterling Overnight Index Average) by 1% over its minimum recommended investment term for HGBP-I units and to outperform the daily capitalised SONIA (Sterling Overnight Index Average) by 0.45% per annum over its minimum recommended investment period for HGBP-R units, after the deduction of management and operating fees.

For HAUD-I units

The objective for the unit is to outperform the Bloomberg AusBond Bank Bill Index (Bloomberg tracker: BAUBIL) by 1% over its minimum recommended investment period, after the deduction of management and operating fees.

Potential subscribers are reminded that the various performance objectives listed in this "Management objective" section are based on performance assumptions agreed by the Management Company and under no circumstances guarantee the Fund's return or performance.

□ **BENCHMARK:**

For EUR-Q, EUR-I C, EUR-I C/D, EUR-N and EUR-R units

The daily capitalised €STR (Overnight Indexed Swap or OIS method):

- +1.25% for the EUR-Q units,
- +1% for EUR-I C and I C/D units,
- +0.90% for EUR-N units,
- +0.45% for EUR-R units.

The daily capitalised €STR (Euro Short-Term Rate) corresponds to the interbank market benchmark rate for the eurozone. It is calculated by the European Central Bank.

More information about the benchmark index can be found on the website of the benchmark administrator: www.ecb.europa.eu.

The benchmark administrator is not listed in the register of administrators and benchmark indices held by ESMA, as the ECB is exempt.

For HGBP-R and HGBP-I units

The daily capitalised SONIA (Sterling Overnight Index Average) (Overnight Indexed Swap or OIS method) corresponds to the interbank market benchmark rate for the pound sterling (GBP). It is calculated by the Bank of England.

- +1% for HGBP-I units,
- +0.45% for HGBP-R units.

The benchmark administrator is the Bank of England. The benchmark is available on the website:

<https://www.bankofengland.co.uk/markets/sonia-benchmark>.

The benchmark administrator is not listed in the register of administrators and benchmark indices held by ESMA (central banks are exempt from this).

For HUSD-I and HUSD-R units

The daily capitalised SOFR (Secured Overnight Financing Rate) (Overnight Indexed Swap or OIS method) corresponds to the interbank market benchmark rate for the US dollar (USD). It is calculated by the New York Federal Reserve.

- +1% for HUSD-I units,
- +0.45% for HUSD-R units.

The benchmark administrator is the New York Federal Reserve. The benchmark is available on the website: <https://www.newyorkfed.org/markets/reference-rates/sofr>.

The benchmark administrator is not listed in the register of administrators and benchmark indices held by ESMA (central banks are exempt from this).

For HCHF-I, HCHF-N and HCHF-R units

The daily capitalised SARON (Swiss Average Overnight Rate) (Overnight Indexed Swap or OIS method) corresponds to the interbank market benchmark rate for the Swiss franc (CHF). It is calculated by SIX Financial Information AG.

The benchmark administrator is listed in the register of administrators and benchmark indices held by ESMA.

The benchmark is available on the website:

<https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/indices/swiss-reference-rates.html>

- +1% for HCHF-I units,
- +0.90% for HCHF-N units,
- +0.45% for HCHF-R units.

For HSGD-R units

The 1-month SIBOR (Singapore Interbank Offered Rate) interest rate

- +0.45% for HSGD-R units.

is the average rate at which a selection of large Singapore-based banks agrees loans in Singapore dollars for a term of one month. It is calculated by Refinitiv every working day and published by ABS Benchmarks Administration Co Pte Ltd. Information is available at <https://www.abs.org.sg/rates-sibor>. The benchmark administrator ABS Benchmarks Administration Co Pte Ltd is listed in the register of administrators and benchmark indices held by ESMA.

For HAUD-I units

The Bloomberg AusBond Bank Bill Index (Bloomberg tracker: BAUBIL) is representative of the Australian short-term money market. It is composed of 13 synthetic instruments defined by rates interpolated from short-term interest rates (RBA 24-hour cash rate, 1M BBSW and 3M BBSW) in Australia. It is calculated and published by Bloomberg Index Services Limited. Information is available at <https://www.bloomberg.com/professional/product/indices/bloomberg-ausbond-index/>. As at the date of this prospectus, the administrator of the benchmark index is listed in ESMA's registers of benchmark administrators and third country benchmarks.

□ **INVESTMENT STRATEGY:**

A) Description of the strategies employed

The management style in place is uncompromisingly focused on performance, combining strategic and tactical positions and arbitrages on all interest rate and international currency markets.

This performance objective will be sought in due observation of a Value at Risk (VaR) ex ante of a maximum of 5% over 20 days, with a confidence interval of 99%.

The Fund's performance has stronger links to relative trends in the markets (relative and arbitrage positions) than to the general direction of these markets (directional positions).

For each asset class, the exposure is decided first, and separately from other asset classes. Asset allocation is therefore a consequence of these exposure choices.

The investment strategy is based on a "top-down" approach and relies in particular on macroeconomic analysis and analysis of capital flows and relative market valuations.

The overall sensitivity of the portfolio will range from -2 to +2.

In addition, and depending on market opportunities, management will be able to carry out transactions entered into and unwound on the same day.

SFDR:

With reference to the regulation known as the "SFDR Regulation" (Regulation (EU) 2019/2088 of the European Parliament of 27 November 2019 on sustainability-related disclosures in the financial services sector), this UCITS is not covered by either Article 8 or by Article 9 of SFDR, and consequently

forms part of the category of funds covered by Article 6.

The main criteria taken into consideration in investment decisions are macro-economic analysis, the analysis of capital flows and the relative valuation of the markets.

Sustainability risks (as defined in the SFDR and the definition for which is reproduced in the Risk Profile section below) are integrated by means of systematic exclusions that are based on the regulations in force and on those sectors and countries that are subject to international sanctions.

In managing this UCITS, the Management Company also:

- excludes all companies involved in the production, use, stockpiling, sale and transfer of anti-personnel mines and cluster bombs, in accordance with the Ottawa and Oslo conventions;
- requires a further audit and the approval of the Management Company's compliance department for any investment linked to issuers based in countries defined as "high-risk" with regard to money laundering and terrorist financing (including, in particular but not exclusively, countries identified by the Financial Action Task Force (FATF) as having strategic deficiencies in their anti-money laundering and anti-terrorist financing systems, and those on the EU's lists of high-risk countries and non-cooperative jurisdictions for tax purposes).

The Management Company has adopted a strict controversial weapons and sector exclusion policy, which can be found on its website

The UCITS is not currently able to integrate the Principal Adverse Impacts (PAIs) of investment decisions on sustainability factors, owing to:

- a lack of available reliable data;
- the use of derivative financial instruments for which the PAIs have not yet been integrated or defined.

Management of OECD government bonds:

1. **Active management** of the portfolio's **exposure to global bond risk (sensitivity)**;
2. **Allocation** of the portfolio's **sensitivity** (positive or negative) as stipulated above among the **four main OECD government bond markets** (the United States for the dollar zone, Germany for the eurozone, the United Kingdom and Japan) using relative value strategies (purchase of sensitivity on certain markets, sale of sensitivity on others);
3. **Allocation of sensitivity** (positive or negative) as distributed on the four bond markets stipulated above over their **four main curve segments** [1-3 years], [3-7 years], [7-15 years] and [15-30 years], with specific use of flattening, restructuring or lateral shift strategies on these curves;
4. **Selection of the issuing country** within the dollar zone (the United States, Canada, Mexico, Australia and New Zealand) and the eurozone (EMU Member States, Norway, Sweden, Denmark, Iceland, Switzerland, Poland, the Czech Republic and Hungary).

Management of OECD non-government bonds and non-OECD government and non-government bonds:

1. **Active management of exposure to the overall credit risk**, up to a limit of 50% of the portfolio's net assets;
2. **Allocation of the credit risk over the main segments of the credit market**: investment-grade and speculative-grade debt, on the one hand, external and local debt of non-OECD countries, on the other;
3. **Selection of issuers** in each of these segments.

Currency management:

1. **Strategic allocation in US dollars:** purchase or sale of the US dollar against all other currencies;
2. **Relative allocation between the three main currency “blocs”:** European currency bloc (euro, pound sterling, Norwegian and Danish krone, Swedish and Icelandic krona, Swiss franc, Polish zloty, Czech koruna and Hungarian forint); yen bloc (Japanese yen and South Korean won); commodities bloc (where currency trends are linked to commodity prices: Canadian dollar, Australian dollar, New Zealand dollar and South African rand);
3. **Allocation within each bloc** by buying and selling each of the currencies comprising the bloc;
4. Diversification among non-OECD market currencies.

Units:

- HGBP-R and HGBP-I units denominated in GBP,
- HCHF-I, HCHF-N and HCHF-R units denominated in CHF,
- HUSD-R denominated in USD,
- HSGD-R denominated in SGD,
- HAUD-I denominated in AUD,

are hedged against exchange rate risk to limit the impact of fluctuations in the EUR/Unit Currency exchange rate on the Fund's performance.

These units therefore aim to achieve the best performance of the strategy during the investment term of the Fund by hedging against the EUR/Unit Currency exchange rate risk, which could affect the net asset value.

B) Description of asset classes and financial contracts in which the Fund intends to invest and their contribution to the achievement of the management objective.

2.1 Equities

The holding of shares will mainly be due to the exercise by the manager of i) conversion/exchange options of convertible bonds held in the portfolio or ii) call options

2.2 Debt securities, similar securities and financial instruments

Bond market instruments:

- up to **100% of the net assets in bonds issued or guaranteed by OECD Member States** with no rating restrictions;
- up to **40% of the net assets in non-government bonds** issued by companies with their registered offices in an OECD country.

The Investment Manager relies on the appraisal of credit risk by its teams and its own methodology.

In addition to this appraisal, the securities in question are subject to a minimum rating constraint corresponding to “Investment Grade” according to the Investment Manager’s criteria at the time of their acquisition (for example, BBB- according to the Standard & Poor’s or Fitch Ratings rating scale, or Baa3 according to Moody’s).

If the issue is simultaneously rated by the three agencies at the time of purchase, at least two of the three ratings must be “Investment Grade”. If the issue is only rated by two rating agencies, at least one of the two ratings must be “investment grade”. If the issue is rated by only one agency, the rating must be “Investment Grade”.

If an issue is unrated, the issuer’s rating will be taken into account.

Moreover, when the rating of an issue or issuer of a security already present in the portfolio deteriorates and falls below the minimum “Investment Grade” rating (equivalent to a minimum rating of BBB- according to Standard & Poor’s and Fitch or Baa3 according to Moody’s), the Investment Manager will examine the case for keeping the securities in the portfolio or disposing

of them, while maintaining as its principal criterion the interests of the unitholders.

- In this category of OECD non-government bonds, up to **20% of the net assets may be invested in mortgage-backed securities or asset-backed securities** (ABS – securitisation of portfolios of non-mortgage loans such as consumer credit, automobile credit and credit cards, and MBS – securitisation of mortgage loan portfolios).

The Investment Manager relies on the appraisal of credit risk by its teams and its own methodology.

These securities may also be subject to a minimum rating constraint at the time of acquisition equivalent to:

- AA from Standard & Poor's or Fitch Ratings,
- Aa2 from Moody's,

or an equivalent rating in accordance with the Investment Manager's analysis.

If the issue is rated simultaneously by the three agencies at the time of purchase, at least two of the three ratings must be AA/Aa2 or an equivalent rating in accordance with the Investment Manager's analysis.

If the issue is only rated by two rating agencies, at least one of the two ratings must be AA/Aa2 or an equivalent rating in accordance with the Investment Manager's analysis.

If the issue is only rated by one agency, the rating must be AA/Aa2 or an equivalent rating in accordance with the Investment Manager's analysis.

If an issue is unrated, the issuer's rating will be taken into account.

Moreover, when the rating of an issue or issuer of a security already present in the portfolio deteriorates and falls below the minimum rating, the Investment Manager will examine the case for keeping the securities in the portfolio or disposing of them, while maintaining as its principal criterion the interests of the unitholders.

Still within this limit of 20% of net assets in mortgage-backed securities or asset-backed securities, the Fund may hold up to 10% of its net assets in ABS and MBS that are unrated upon issue or whose issuer is unrated upon issue.

- up to **10% of the assets in OECD corporate bonds rated "Speculative Grade" at purchase, and non-OECD government and corporate bonds with no ratings restrictions**, issued in G4 currencies (USD, EUR, GBP and JPY) or in local currencies.

	Minimum	Maximum
Sensitivity range for interest rates	-2	+2
Issuer's geographic region*	All geographic regions	
Base currency of securities	All currencies	
Exchange rate risk permitted	0%	150%

*Calculations carried out as % of the Fund's total exposure

- up to 10% of the assets in exchangeable, convertible and contingent convertible bonds.
- Up to 10% in inflation-linked securities.

Money market instruments:

The Fund's cash position is managed through the acquisition of money market instruments (treasury bills, annual interest treasury bills, commercial paper, Euro Commercial Paper and money market UCITS/AIFs) and the conclusion of repurchase agreements and deposits.

Currencies:

The Fund may be exposed to all currencies, both OECD and non-OECD, through both purchases and sales.

Recap of the main limits for investment in bonds (<i>ratings applicable at time of purchase</i>)	
Overall sensitivity range	[-2; +2]
OECD government bonds	Maximum 100% of net assets
OECD non-government bonds rated investment grade at purchase	Maximum 40% of net assets
of which securitised bonds (ABS & MBS)	Maximum 20% of net assets
Non-OECD government bonds or OECD non-government bonds rated speculative grade at purchase, or non-OECD non-government bonds	Maximum 10% of net assets

2.3 Special instruments

2-3.1 Holding of shares or units of other UCITS/AIFs/investment funds

On an ancillary basis, with a view to investing its liquid assets, the Fund may hold up to 10% of its assets in shares or units of the following UCITS/AIFs/investment funds, particularly money market UCITS/AIFs/investment funds:

UCITS under French law*	X
UCITS under European law*	X
AIFs under French law which comply with Article R. 214-13 of the <i>Code monétaire et financier</i> , the French Monetary and Financial Code*	X
AIFs under European law which comply with Article R. 214-13 of the <i>Code monétaire et financier</i> , the French Monetary and Financial Code*	X
Investment funds under foreign law which comply with Article R. 214-13 of the <i>Code monétaire et financier</i> , the French Monetary and Financial Code*	X

* These UCITS/AIFs/investment funds may not hold more than 10% of their assets in UCITS/AIFs/investment funds.

The UCIs held by the Fund may be managed by the Management Company or by a legally affiliated company.

2-3.2 Derivatives

The investment process includes the use of financial contracts, whether conditional or otherwise, traded on regulated, organised or over-the-counter markets.

These are an alternative to bearer securities, especially at times of subscription/redemption flows or in specific circumstances such as major market fluctuations.

Transactions entered into and unwound on the same day will apply to derivative instruments traded on regulated markets and foreign exchange spot transactions. In particular, the modified duration characteristics of options (gamma) will be actively managed when approaching the ends of investment periods.

The Fund may use derivatives to overcommit its portfolio.

TABLE OF DERIVATIVES

Type of instrument used	MARKET TYPE			RISK TYPE					OPERATION TYPE			
	Admission to regulated markets *	Organised markets	OTC markets	Equities	Interest rates	Exchange rates	Credit	Other risk(s)	Hedging	Exposure	Arbitrage	Other(s)
Futures on												
Equities												
Interest rates	X	X			X				X	X	X	
Exchange rates	X	X				X			X	X	X	
Indices					X	X	X		X	X	X	
Options on												
Equities												
Interest rates	X	X	X		X			X	X	X	X	
Exchange rates	X	X	X			X		X	X	X	X	
Indices												
Swaps												
Equities												
Interest rates			X		X			X	X	X	X	
Exchange rates			X			X		X	X			
Indices												
Forex forward												
Currency			X			X		X	X	X	X	
Credit derivatives												
Credit default swaps (CDS)			X				X	X	X	X	X	
First default												
First losses credit default swap												

* See the Investment Manager's policy for the execution of orders at www.h2o-am.com.

The Fund may enter into total return swaps ("TRS") which seek to swap the performance of all or some of the assets held by the Fund (and held by the Fund's custodian) for the performance of an index or an asset class listed in the section entitled "Description of asset classes and financial contracts".

The maximum proportion of assets under management that may be used for TRS is 100% of the net assets. Under normal market conditions, the Investment Manager expects such transactions to involve up to 100% of the Fund's assets.

The counterparties to total return swaps are credit institutions or other entities that meet the criteria set out in the French Monetary and Financial Code and selected by the Investment Manager in accordance with the counterparty selection procedure available at www.h2o-am.com.

The Investment Manager shall enter into such contracts with financial institutions that have their registered office in a Member State of the OECD and with a minimum rating that meets its requirements.

These transactions are systematically covered by a contract signed between the Investment Manager and the counterparty that defines the procedures for reducing counterparty risk.

The counterparties do not have any discretionary decision-making powers in respect of the composition or management of the Fund's investment portfolio or the asset underlying the derivative.

2-3.2 bis Information relating to OTC financial agreements

Counterparties consist of leading credit institutions. They are selected and regularly assessed in accordance with the counterparty selection procedure, which is available on request from the Investment Manager. These transactions are systematically covered by a contract signed between the UCITS and the counterparty that defines the procedures for reducing counterparty risk.

The counterparty or counterparties does/do not have any discretionary decision-making powers regarding the composition or management of the UCITS investment portfolio or the derivative's underlying asset.

2-3.3 Securities with embedded derivatives

TABLE OF SECURITIES WITH EMBEDDED DERIVATIVES

<i>Type of instrument used</i>	RISK TYPE					OPERATION TYPE			
	Equities	Interest rates	Exchange rates	Credit	Other risk(s)	Hedging	Exposure	Arbitrage	Other(s)
Warrants on									
Equities									
Interest rates									
Exchange rates									
Indices									
Subscription warrants									
Equities									
Interest rates									
Equity-linked products									
Convertible bonds									
Exchangeable bonds	X	X		X	X		X		
Convertible bonds	X	X		X	X		X		
Contingent convertible bonds	X	X		X	X		X		
Callable interest rate products		X	X	X	X	X	X		X
Puttable interest rate products		X	X	X	X	X	X		X
Structured EMTN/Medium-term negotiable securities									
Structured medium-term negotiable securities									
Structured EMTN									
Credit linked notes (CLN)									
Other (please specify)									

* See the Investment Manager's policy for the execution of orders at www.h2o-am.com.

2.4 Deposits

The Fund may make deposits with a maximum duration of twelve months in compliance with the French Monetary and Financial Code. These deposits, which will enable the Fund to manage all or part of its cash, contribute to the achievement of its management objectives.

2.5 Liquid assets

On an ancillary basis, the Fund may also hold cash and cash equivalents.

2.6 Cash borrowings

The Fund may borrow cash up to a limit of 10% of its assets and only on a temporary basis.

2.7 Temporary purchases and sales of securities

The Management Company may carry out temporary purchases or sales of securities (also called as securities financing transactions), subject to a limit of 100% of the assets. The proportion of assets under management expected to be subject to securities financing transactions will be 50%.

Types of transaction used	
Repurchase and reverse repurchase agreements in accordance with the French Monetary and Financial Code	X
Securities lending and borrowing in accordance with the French Monetary and Financial Code	X
Other	

Types of operation, all of which must be limited to the achievement of the management objective	
Cash management	X
Optimisation of the Fund's income and performance	X
Other	

The affected assets are described in the "Description of asset classes" section of this prospectus.

2.7 bis: Information on the use of temporary purchases and sales of securities

The purpose of using temporary sales of securities is to obtain an additional return for the UCITS and therefore to contribute to its performance. Furthermore, the UCITS may make repurchase agreements as part of the reinvestment of cash collateral and/or reverse repurchases to meet liquidity needs. Temporary purchases and sales of securities will be guaranteed pursuant to the principles set out under "Contracts constituting collateral" below.

2-8 Contracts constituting collateral

Within the context of entering into financial contracts and/or securities financing transactions, the UCITS may receive/pay collateral in the form of a transfer of the full ownership of securities and/or cash.

Securities received as collateral must meet the criteria laid down by the regulations and must be granted by credit institutions or other entities that meet the legal, country and other financial criteria set out in the French Monetary and Financial Code.

The level of collateral and the discount policy are set by the Management Company's policy eligibility of collateral in accordance with the regulations in force, and cover the following categories:

- Cash collateral in various currencies according to a predefined list, such as the euro and USD;
- Collateral as debt or equity securities on the basis of a specific classification.

The collateral eligibility policy explicitly defines the level of collateral required and the discounts applied to each type of collateral on the basis of rules that depend upon their specific characteristics. In accordance with the regulations in force, it also specifies the rules for the diversification of risks, correlation, appraisal, credit quality and regular stress tests on the collateral's liquidity.

In accordance with the conditions set out in the regulations, in the event that collateral is received in cash, it may only be:

- deposited;
- invested in high-quality government bonds;
- used in repurchase agreements;
- invested in short-term money market undertakings for collective investment (UCI).

Collateral received in any form other than cash may not be sold, reinvested or pledged.

The Management Company will carry out a daily valuation of collateral received on a market price basis (mark-to-market method), according to the valuation rules set out in this prospectus. Margin calls will be made on a daily basis.

The collateral received by the Fund will be kept by the depositary of the Fund or, failing that, by any third-party depositary subject to prudential supervision and which has no connection with the provider of the guarantee.

The risks associated with securities financing transactions, financial contracts and the management of inherent guarantees are described in the risk profile section.

❑ **TAXONOMY (REGULATION (EU) 2020/852):**

This Fund's underlying investments do not take into account EU criteria regarding environmentally sustainable economic activities.

❑ **RISK PROFILE:**

Your money will be primarily invested in financial instruments selected by the Investment Manager. These instruments will be subject to the trends and risks of the markets.

Net asset value is liable to fluctuate widely due to the financial instruments that make up the Fund portfolio.

Capital risk: the Fund does not benefit from any guarantee or protection. Therefore, the capital initially invested may not be repaid in full.

Credit risk: this is the risk of a variation in credit spreads arising from a deterioration in the quality of the issuer or a default by one or more issuers present in the portfolio. Depending on the direction of the transactions of the UCITS, i.e. a decrease (in the event of a purchase) or an increase (in the event of a sale) in the value of the debt securities to which the UCITS is exposed, the Fund may fall, leading to a decrease in its net asset value.

Under deteriorated market conditions, their valuation may fluctuate significantly and have a negative impact on the net asset value.

This risk may be intensified by a lack of liquidity on the market for all bonds, particularly speculative bonds (rated "Speculative Grade").

In the case of ABS (Asset Backed Securities) and MBS (Mortgage Backed Securities), credit risk results from both the intrinsic quality of the underlying assets, which may be of various types (consumer, mortgage, SME loans, trade receivables, etc.) and from specific risks, particularly those associated with the sometimes complex legal structure and the operators involved in the transaction.

Interest rate risk: this is the risk of a fall in the value of interest rate instruments due to fluctuations in interest rates. It is measured by sensitivity.

When interest rates rise (in the case of positive sensitivity) or fall (in the case of negative sensitivity), the net asset value may fall sharply.

Sensitivity measures the impact of a change in rates on the Fund's valuation. Therefore, if the Fund has a sensitivity to interest rates close to 10, a 1% rise in real rates will cause the Fund's net asset value to fall by 10%, while a 1% fall in real rates will cause the Fund's net asset value to rise by 10%.

Counterparty risk: the Fund uses over-the-counter financial contracts and/or temporary purchases and sales of securities. These transactions, entered into with one or more counterparties, potentially expose the Fund to the risk of failure of any of these counterparties, which may cause the latter to default on payment.

Risk associated with emerging market securities: the securities of these countries may be difficult to trade or may even temporarily cease to be tradable, due in particular to a lack of trading on the market or to regulatory restrictions. As a result, holding such securities may result in departures from the Fund's normal operation in accordance with the UCITS' regulations and if the interests of investors so dictate. Moreover, since downward movements on the market may be faster and more pronounced than on developed markets, the net asset value may fall more sharply and rapidly.

Arbitrage risk: arbitrage is a technique that takes advantage of price differences observed (or expected) between markets and/or sectors and/or securities and/or currencies and/or instruments. In the event of an unfavourable outcome in such arbitrage transactions (false expectations: rises in the case of sale transactions and/or falls in the case of purchase transactions), the Fund's net asset value may fall.

Exchange rate risk: this is the risk of a fall in the investment currencies against the euro, the portfolio's reference currency. If a currency falls against the euro, the net asset value may fall.

Units:

- HGBP-R and HGBP-I denominated in GBP,
- HCHF-I, HCHF-N and HCHF-R denominated in CHF,
- HUSD-I and HUSD-R denominated in USD,
- HSGD-R denominated in SGD,
- HAUD-I denominated in AUD,

are hedged against exchange rate risk to limit the impact of fluctuations in the EUR/Unit Currency exchange rate on the Fund's performance.

These units therefore aim to achieve the best performance of the strategy during the investment term of the Fund by hedging against the EUR/Unit Currency exchange rate risk, which could affect the net asset value.

Overexposure risk: the method used to calculate commitment allows the associated risk budgets to be determined for the various strategies. The UCITS will therefore have variable levels of exposure to the various types of risk stated in this prospectus, while remaining in compliance with the predefined sensitivity range.

The level of exposure particularly depends on the strategies implemented as well as on market conditions. The level of exposure to the various risks may cause the net asset value to fall faster and/or to a greater extent than the markets underlying these risks.

Liquidity risk: the liquidity risk in the portfolio represents the fall in the price that the UCITS should potentially accept in order to sell certain assets for which there is insufficient demand in the market.

Risk associated with temporary purchases and sales of securities, total return swaps (TRS) and the management of collateral: temporary purchases and sales of securities and total return swaps (TRS) are likely to create risks for the Fund, such as the counterparty risk defined above. The

management of collateral may create risks for the Fund, such as liquidity risk (i.e. the risk that a security received as collateral is not sufficiently liquid and cannot be sold quickly in the event that the counterparty defaults), and, where applicable, risks related to the reuse of cash collateral (i.e. primarily the risk that the Fund cannot reimburse the counterparty).

Risk associated with investments in exchangeable, convertible and contingent convertible securities: the Funds may invest in exchangeable securities, convertible securities that are debt securities that may be converted into equity as well as in contingent convertibles securities (“CoCos”) which are debt securities that may be converted into the issuer's equity or be partly or wholly written off if a predefined trigger event occurs.

The market value of convertible securities depends on both the level of interest rates and the estimation of future movements in the price of the underlying shares.

In addition to credit and changing interest rates risks that are common to debt securities, the conversion trigger activation may cause the value of the investment to fall more significantly than other most conventional debt securities which do not expose investors to this risk.

Risks from inflation-linked securities: this represents the possible risk of deflation or of a fall in anticipated inflation, which could cause a fall in the price of inflation-indexed bonds and consequently a fall in the Fund's net asset value.

Equity risk: insofar as the Fund may invest in convertible bonds, this is exposure to the risk of underlying equities.

Sustainability risk: means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

□ **TARGET SUBSCRIBERS AND TYPICAL INVESTOR PROFILE:**

EUR-R, EUR-I (C), EUR-I (C/D), HUSD-R, HSGD-R, HCHF-R, HGBP-R, HGBP-I, HUSD-I and HCHF-I units are aimed at all subscribers. R and H-R units are primarily aimed at private individuals. I and H-I units are primarily aimed at institutional investors.

N and H-N units are primarily intended for investors subscribing via distributors or intermediaries that are subject to national legislation prohibiting all retrocessions to distributors (e.g. in the United Kingdom or the Netherlands) and that provide an independent advisory service as defined by the European MiFID II regulation or an individual portfolio management service under mandate.

The Q unit is reserved for employees and entities of the H2O AM Group.

The UCITS is aimed at investors who wish to invest the stable portion of their cash with the objective of outperforming the benchmark index for the unit class in which they are invested, solely over an investment period that is at least equal to the minimum recommended investment period.

Minimum recommended investment period: 2 years.

The Fund's units may not be offered or sold in the United States of America or to or on behalf of a “US Person” as defined by Rule 902 of Regulation S in accordance with the United States Securities Act 1933. Prospective unitholders must declare that they are not a US Person and that they are not subscribing on behalf of a US Person or with the intention of reselling them to a US Person.

In accordance with applicable EU regulations¹ introduced on 12 April 2022, and for as long as these remain in force, subscribers (natural persons and legal entities) of Russian or Belarusian nationality and/or residing or established in Russia or Belarus are not permitted to subscribe to this UCITS, without prejudice to any exceptions set out in these regulations.

The amount that it would be reasonable to invest in the Fund depends on the amount of risk the investor is willing to take. This amount also depends on the holder's personal profile, particularly their financial situation and the current composition of their financial assets. **Building and holding a financial asset portfolio presupposes a diversification of investments.**

It is also recommended that anyone wishing to subscribe to shares in the Fund contact their usual adviser in order to obtain information or advice tailored to their personal situation.

¹As at 1 June 2022, Regulation (EU) 833/2014, as amended, Regulation (EU) 398/2022 and Council Decision 2022/579.

Investors are strongly advised to diversify their assets so that they are not solely exposed to the risks of this Fund.

□ **PROCEDURES FOR DETERMINING AND ALLOCATING DISTRIBUTABLE INCOME**

R (C), Q(C), HUSD-R (C), HSGD-R (C), HCHF-R (C), HGBP-R(C), I (C), HGBP-I (C), HCHF-I (C), HUSD-I (C), HAUD-I(C), N (C) and HCHF-N (C) units are accumulation units.

Net realised capital gains are accumulated.

I (C/D) units are accumulation and/or distribution units. Realised distributable amounts from I (C/D) units (realised net income and net capital gains) are distributed in the form of an annual dividend paid within five months of the year-end date and/or capitalised and carried forward after the close of the fiscal year by decision of the Management Company. For further details, please see article 9 of the UCITS by-laws.

□ **UNIT FEATURES**

Unit Class	ISIN code	Base currency	Unit division	Minimum initial subscription	Minimum subsequent subscription
HGBP-R (C) unit	FR0012489730	GBP	Ten-thousandths	GBP 100	1 ten-thousandth of a unit
EUR-Q(C) unit	FR0013425287	EUR	Ten-thousandths	EUR 20,000	1 ten-thousandth of a unit
EUR-I (C) unit	FR0010929794	EUR	Ten-thousandths	EUR 100,000	1 ten-thousandth of a unit
EUR-I (C/D) unit	FR0012916682	EUR	Ten-thousandths	EUR 100,000	1 ten-thousandth of a unit
HUSD-I (C) unit	FR0011981786	USD	Ten-thousandths	USD 100,000	1 ten-thousandth of a unit
HCHF-I (C) unit	FR0011981794	CHF	Ten-thousandths	CHF 100,000	1 ten-thousandth of a unit
HGBP-I (C) unit	FR0011981810	GBP	Ten-thousandths	GBP 100,000	1 ten-thousandth of a unit
HAUD-I (C) unit	FR0013186756	AUD	Ten-thousandths	AUD 150,000	1 ten-thousandth of a unit

EUR-N (C) unit	FR0013186772	EUR	Ten-thousandths	1 ten-thousandth of a unit	1 ten-thousandth of a unit
HCHF-N(C) unit	FR0013321692	CHF	Ten-thousandths	1 ten-thousandth of a unit	1 ten-thousandth of a unit
EUR-R (C) unit	FR0013393188	EUR	Ten-thousandths	1 ten-thousandth of a unit	1 ten-thousandth of a unit
HUSD-R (C) unit	FR0013393204	USD	Ten-thousandths	1 ten-thousandth of a unit	1 ten-thousandth of a unit
HSGD-R (C) unit	FR0013393196	SGD	Ten-thousandths	1 ten-thousandth of a unit	1 ten-thousandth of a unit
HCHF-R (C) unit	FR0013393212	CHF	Ten-thousandths	1 ten-thousandth of a unit	1 ten-thousandth of a unit

SUBSCRIPTION AND REDEMPTION PROCEDURES:

Subscription and redemption orders are cleared on each net asset value calculation day (D) at 12:30 p.m. These are executed on the basis of the net asset value established on D and calculated on the basis of D + 1 working day.

Investors intending to subscribe to units and unitholders wishing to redeem units are invited to contact their usual marketing agent directly in order to obtain information on the deadlines for placing subscription and redemption orders, as these may be earlier than the clearing time stated above.

Orders are executed in accordance with the table below for Euro and GBP currency:

D business day	D business day	D: NAV calculation day	D+1 business day	D+1 business day	D+1 business day
Centralisation before 12:30 CET for subscription orders ¹	Centralisation before 12:30 CET for redemption orders ¹	Execution of the order on D at the latest	Publication of the net asset value	Settlement of subscriptions ¹	Settlement of redemptions ¹

¹Unless a specific deadline has been agreed with your financial institution.

Orders are executed in accordance with the table below for other currency:

D business day	D business day	D: NAV calculation day	D+1 business day	D+3 business day	D+3 business day
Centralisation before 12:30 CET for subscription orders ¹	Centralisation before 12:30 CET for redemption orders ¹	Execution of the order on D at the latest	Publication of the net asset value	Settlement of subscriptions ¹	Settlement of redemptions ¹

¹Unless a specific deadline has been agreed with your financial institution.

□ **DATE AND CALCULATION FREQUENCY OF NET ASSET VALUE:**

The first net asset value was established on 14 October 2020.

From this date, the net asset value is calculated on every Euronext Paris trading day, with the exception of French public holidays.

The net asset value may be obtained from the Management Company:

H2O AM EUROPE

39 Avenue Pierre 1er de Serbie

75008 Paris, France

Website: "www.h2o-am.com"

In accordance with the estimated values established by the UCITS that is the subject of the demerger in accordance with Article L. 214-8-7 of the French Monetary and Financial Code, the UCITS will establish estimated values between its creation date and the establishment of its first net asset value. These estimated values cannot be used as a basis for subscriptions/redemptions.

□ **FEES AND COMMISSIONS:**

Subscription and redemption fees:

Fees charged to the investor, payable at the time of subscription or redemption	Basis	Rate scale
Subscription fee not payable to the UCITS	net asset value x number of units	For all I, N and R unit classes: 1% maximum
Subscription fee reserved for the Management Company	net asset value x number of units	<u>EUR-Q unit:</u> 10% maximum
Subscription fee payable to the UCITS	net asset value x number of units	none
Redemption fee not payable to the UCITS	net asset value x number of units	none
Redemption fee payable to the UCITS	net asset value x number of units	none

Fees charged to the UCITS:

These charges cover:

- Financial management fees;
- Operating expenses and other services;
- Indirect maximum charges (commissions and management fees) for UCITS that invest over 20% in other UCITS, AIFs or investment funds;
- Transfer fees;
- Outperformance fees.

Fees charged to the UCITS:	Basis	Rate scale
Financial management fees	Net assets	<p>Maximum rate</p> <p><u>For all R unit classes:</u> 0.90% incl. tax</p> <p><u>For all I unit classes:</u> 0.35% incl. tax</p> <p><u>For all N unit classes:</u> 0.45% incl. tax</p> <p>EUR-Q unit: 0.10% incl. tax</p>
Operating expenses and other services	Net assets	<p>Maximum rate</p> <p>For all units: <u>0.15% incl. tax</u></p>
Transfer fees	Deducted from each transaction or operation based on the service agreement percentages	Maximum 0.005% per month on instruments and €400 per month for OTC admin charges
Performance fee	Positive difference between valued asset and reference asset	<p>For all I, N and R unit classes, with the exception of HGBP-R units: 25% incl. tax of the performance in excess of the benchmark defined in the "Performance fee" paragraph below</p> <p>HGBP-R and EUR-Q units: none</p>

In particular, external distributors and delegated financial managers may receive retrocessions of management fees. These external distributors and delegates may be H2O AM Group companies. Retrocessions of management fees are calculated as a percentage of the financial management fees.

The following costs may be added to the fees charged to the UCITS and shown above:

- Exceptional and non-recurring debt recovery costs (e.g. Lehman Brothers proceedings) or costs to enforce a right (e.g. class action proceedings).

Information on these fees is also described ex post in the annual report of the UCITS.

The operating expenses and other services correspond to the internal or external fees of the Management Company relating to:

I. Fund registration and benchmarking fees

- All costs related to the registration of the UCI in other Member States (including costs charged by advisers (lawyers, consultants etc.) for carrying out marketing procedures with the local regulator on behalf of the portfolio management company);
- UCI listing fees and publication of net asset values for investor information;
- Distribution platform fees (excluding retrocessions); agents in foreign countries involved in distribution: local transfer agent, paying transfer agent, facility agent etc.

II. Customer and distributor information costs

- Costs of compiling and distributing regulatory documentation and reports;
- Costs related to the disclosure of regulatory information to distributors;
- Provision of information to unitholders by any means (publication in the press, other);
- Information specific to direct and indirect unitholders: letters to unitholders etc.;
- Website administration costs;
- Translation fees specific to the UCI.

III. Data charges

- Licensing costs of the benchmark index used by the UCI;
- Costs of data used for redistribution to third parties (e.g. reuse of issuer ratings, index compositions, data etc.) ;
- Costs arising from specific client requests (e.g. a request to add two specific non-financial indicators to the reporting as requested by the client);
- Data charges for single products that cannot be amortised over several portfolios. Example: an impact fund requiring specific indicators;
- Audit fees and label promotion costs (e.g. SRI label, Greenfin label).

IV. Custodian, legal, audit, tax fees etc.

- Statutory auditors' fees;
- Fees related to the custodian;
- Fees related to account-holders;
- Fees related to the delegation of administrative and accounting management;
- Audit fees;
- Tax expenses including lawyers and external experts (recovery of withholding taxes on behalf of the Fund, local tax agent etc.);
- Legal fees specific to the UCI;
- Guarantee fees;
- Costs of creating a new Sub-fund that can be amortised over five years.

V. Fees related to compliance with regulatory obligations and regulatory reporting

- Costs of preparing regulatory reports to the regulator specific to the UCI (MMF reporting, AIFM, ratio overruns etc.);
- Mandatory professional association contributions;

- Contributions due for the management of this UCITS pursuant to 4° of II of Article L. 621-5-3 of the French Monetary and Financial Code;
- Exceptional and non-recurring taxes, fees and governmental duties (in relation to the UCITS);
- Operating fees for monitoring threshold crossings;
- Operating fees for the deployment of voting policies at Shareholders' Meetings.

VI. Operating expenses:

- Fees for compliance monitoring and control of investment restrictions where such restrictions arise from specific customer requests and are specific to the UCI.
-

VIII. Fees related to customer knowledge

- Operating fees for customer compliance (due diligence and creation/updating of customer files).

Insofar as operating costs and other services are deducted in real terms, in the event of an increase in these costs equal to or less than 10 basis points (0.1%) per calendar year, unitholders may be informed by any means (e.g. on the website of the portfolio management company, in the section relating to the UCITS in question) and not by means of specific information without being offered the possibility of redeeming their units at no cost. This information should be published before it takes effect.

Performance fee:

The performance of each of the Fund's unit classes is calculated on the basis of changes in the net asset value (NAV) of this unit class.

The performance fee applicable to a particular unit class is based on a comparison of the valued asset and its reference asset for this unit class (model based on a benchmark index). Any underperformance of the Fund in relation to the benchmark index must be compensated for before performance fees become payable, regardless of the performance period concerned.

The valued assets, reference assets and High-Water Mark are calculated for each unit class as follows:

- a) The **valued assets** are equal to the amount of the Fund's assets in the unit class concerned, valued in accordance with the rules applicable to the assets and taking into account the actual operating and management fees corresponding to this unit class.
- b) The **High-Water Mark** ("HWM") corresponds to the Fund's highest NAV for the unit class concerned, recorded at the end of each observation period since the date the unit class was launched and which resulted in a performance fee being charged.
- c) During the observation period and each time the net asset value is calculated, the **reference assets** are adjusted for the amounts of subscriptions/redemptions applicable to this unit class and valued in accordance with the performance of the relevant reference index. At the beginning of the observation period: (i) if the valued assets at the end of the previous observation period are higher than the reference assets on that date, the reference assets are then equal to the HWM multiplied by the number of units in the unit class concerned on that same date; (ii) if the valued assets at the end of the previous observation period are lower than or equal to the reference assets on that date, or during the observation period, the reference assets are adjusted for subscriptions/redemptions and valued in accordance with the performance of the reference index applicable to the unit class.

The reference index is equal to the capitalised €STR plus 1% per year for EUR-I (C) and EUR-I (D) units, 0.90% per year for N units and 0.45% per year for R units.

The reference index is equal to the 1-month SIBOR plus 0.45% per year for HSGD-R units.

The reference index is equal to the daily capitalised SOFR plus 1% per year for HUSD-I units and 0.45% per year for HUSD-R.

The reference index is equal to the daily capitalised SARON plus 1% per year for HCHF-I units, 0.45% per year for HCHF-R units and 0.90% per year for HCHF-N units.

The reference index is equal to the daily capitalised SONIA plus 1% per year for HGBP-I units.

The reference index is equal to Bloomberg AusBond Bank Bill Index (Bloomberg tracker: BAUBIL) plus 1% per year for HAUD-I units.

The Fund's performance is calculated according to changes in the unit class's net asset value.

As a reminder, past performance data for the benchmark index are available on the website www.h2o-am.com, as well as in the Fund's monthly factsheets and annual report, which can be accessed on the [same](#) website.

The observation period is defined as follows:

- Initial observation period: from 1 October 2020 to the last trading day in September 2021;
- For the following observation periods: from the first trading day in October to the last trading day in September of the following year.

At the beginning of each observation period, the reference asset used will be the highest of the assets recorded on 1 October 2020 and all the valued assets recorded on the final day of each of the observation periods established since the creation of the Fund. Since the UCITS is the result of a demerger transaction provided for in Article L.214-8-7 of the French Monetary and Financial Code, the assets recorded on 1 October 2020 will be the higher of the assets recorded on the day of the demerger and the reference assets of the demerged fund H2O ADAGIO from which the assets retained by "H2O ADAGIO SP" ex H2O ADAGIO were proportionally deducted.

If necessary, the reference assets will be adjusted to take into account the amounts of any subscriptions/redemptions occurring between the date of recording of the reference assets and the start of the new observation period.

If, during the observation period and for a given unit class, the valued asset is higher than the reference asset as defined above, the performance fee will represent up to 25% of the difference between these two assets. A provision for performance fees is then taken into account when calculating the net asset value.

If, during the observation period and for a given unit class, the valued asset is lower than the reference asset, the performance fee will be zero. In this case, any previously made provisions will be readjusted by reversing the provision.

If, during the observation period, the Fund's valued asset is higher than the reference asset, this difference will be subject to a variable management fee provision at the time of the net asset value calculation.

The final performance fee will not be calculated until the end of the relevant observation period. The fee is then "crystallised" and, as such, may be charged. In the event of redemption during the observation period, the portion of the provision corresponding to the number of units redeemed accrues permanently to the Management Company and may be charged before the end of the observation period in progress.

As performance fees are based on the performance of each unit class, they are calculated daily and taken into account when calculating the NAV of the unit class concerned. This method cannot therefore ensure that the actual performance of each investment is individually monitored, which may, in some cases, result in residual inequity between unitholders.

In other words, and by way of example, any investors subscribing during a period of overperformance when a performance fee has been provisioned "lose less" if the net asset value falls, as they benefit from mitigation as a result of drawing on the provision, even though their investment did not contribute to establishing this provision. At the same time, investors who have already invested will not benefit from the full provision established since the beginning of the observation period in question (or from their subscription date, if this is after the beginning of this period).

Similarly, any investors subscribing during a period of underperformance when no performance fees have been provisioned “gain more” if the net asset value increases, as they benefit from their investment appreciating, without having contributed to establishing provisions as long as the valued assets of the unit class are lower than the reference assets. Nevertheless, for all unitholders, these investments reduce the returns required to make up the difference between the valued assets and the reference assets. Performance fees will therefore be provisioned sooner.

Furthermore, if the performance of a particular unit class over a given observation period is negative, performance fees may be charged under certain circumstances, if the performance of the reference index is worse than that of the unit class in question.

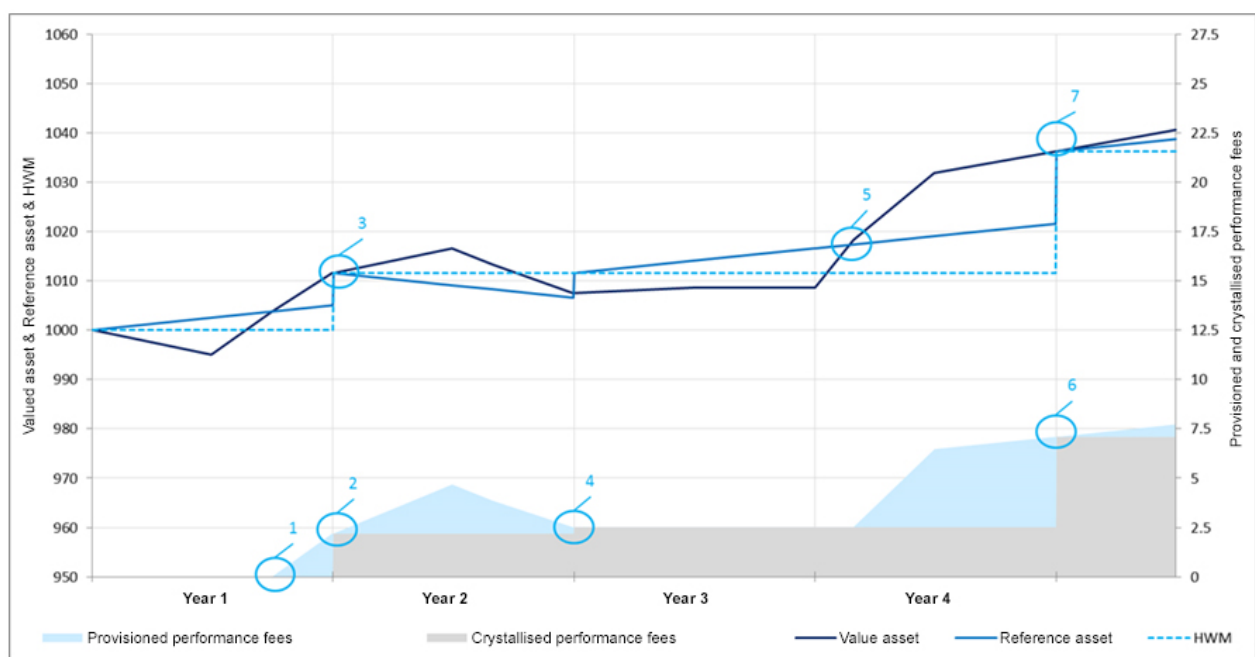
The simulations below illustrate several scenarios incorporating the assumptions of a lack of subscription/redemption flows for a given unit class and zero performance of the reference assets (i.e. the performance of the reference index is zero).

Year 1: The unit ends the first year with a positive performance. The performance fee, which was provisioned when the valued assets were higher than the reference assets (point 1), is then crystallised (point 2). The HWM is adjusted to the NAV recorded on the last day of the observation period (point 3).

Year 2: At the start of the second period, the reference assets are adjusted to the new HWM multiplied by the number of units. At the end of the period, the Fund records a negative performance, but outperforms the benchmark index. The performance fee, which was provisioned when the valued assets were higher than the reference assets, is then crystallised (point 4). The HWM remains unchanged.

Year 3: At the start of the observation period, the reference assets are adjusted to the HWM multiplied by the number of units. Performance is positive, but the valued assets are still lower than the reference assets. The Fund makes no provisions for performance fees and no performance fee is crystallised at the end of the financial year. The HWM remains unchanged.

Year 4: At the start of the observation period and since, at the end of the previous year, the valued assets were lower than the reference assets, the reference assets were adjusted for subscriptions/redemptions and valued according to the performance of the benchmark, as during the observation period. Positive performance means that the valued assets are higher than the reference assets again (point 5) and compensate for the underperformance of year 3. From this date on, provisions are once again made for performance fees. At the end of the observation period, the performance fee is crystallised (point 6) and the HWM is adjusted to the NAV recorded on that date (point 7).



Information on remuneration generated through temporary purchases and sales of securities:

All remuneration from these operations is paid in full to the Fund.

Brief description of the selection procedure for intermediaries:

A selection and assessment procedure for intermediaries, which takes into account such objective criteria as research, commercial monitoring and execution quality, has been implemented by the Investment Manager. This procedure is available at www.h2o-am.com

IV COMMERCIAL INFORMATION

□ **PROVISION OF INFORMATION FOR UNITHOLDERS CONCERNING THE UCITS:**

DISTRIBUTION OF THE PROSPECTUS AND ANNUAL AND INTERIM DOCUMENTS

- These documents will be sent to unitholders upon written request to:
H2O AM EUROPE

39 Avenue Pierre 1er de Serbie
75008 Paris, France
E-mail: info@h2o-am.com

The documents will be sent within eight business days.

- These documents are also available at "www.h2o-am.com"
- Further information can be obtained from the marketing agents' branches.

INFORMATION ON THE NET ASSET VALUE

The net asset value can be obtained from H2O AM EUROPE, from the marketing agents' branches and at "www.h2o-am.com"

COMMERCIAL DOCUMENTATION

Commercial documentation is available to the Fund's unitholders and subscribers online via www.h2o-am.com

INFORMATION IN THE EVENT OF AN AMENDMENT TO FUND OPERATIONS

Unitholders are informed of any changes concerning the Fund in line with the procedures drawn up by the AMF.

If applicable, this information may be provided by Euroclear France and its associated financial intermediaries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CRITERIA

Information on the procedure for incorporating criteria relating to environmental, social and governance (ESG) quality objectives can be found in the annual reports of the relevant UCITS and on the Management Company's website.

V INVESTMENT RULES

The UCITS complies with the investment rules for UCITS as stipulated by the French Monetary and Financial Code.

The UCITS may invest up to 100% of its assets in securities guaranteed by a State, local authority and/or

a public international organisation, provided that the 100% is spread across at least six issues, none of which representing more than 30% of the assets.

VI OVERALL RISK

The calculation method used by the Fund is the Value-at-Risk method.

The indicative average leverage level for the UCITS is 14. However, the UCITS may reach a higher leverage level. The UCITS' indicative leverage level is calculated as the sum of the nominal positions on the financial contracts that are used.

VII ASSET VALUATION AND ACCOUNTING RULES

A Asset valuation rules

I - Securities portfolio

The Management Company has delegated accounting management (including valuation of the Fund's portfolio) to CACEIS Fund Administration.

The Fund's portfolio is valued each time the net asset value is calculated and on the closing of the accounts, at the closing price.

The Fund's annual accounts are drawn up on the basis of the final net asset value for the financial year.

The Fund complies with the accounting rules and methods prescribed by current regulations and with the UCITS chart of accounts which, on the day of publication of the prospectus, are as follows:

Equities

French equities are valued on the basis of the latest quoted price in the case of securities admitted to a deferred settlement system or a spot market.

Foreign equities are valued on the basis of the latest price on the Paris stock exchange if the securities are listed in Paris, or on the first trading day of their main market, converted into euros in accordance with the WMR rate for the currency on the day of valuation.

Bonds

Bonds are valued on the basis of a Bloomberg composite rating obtained at 5:00 p.m. (Paris time) in accordance with the WMR rate for the currency on the day of valuation.

Transferable securities

Transferable securities, the price of which has not been recorded on the valuation date or has been adjusted, are valued by the Management Company at their expected trading value.

In the case of unlisted transferable securities or those for which a price is not listed on the valuation date, as well as other items on the balance sheet, the Management Company adjusts its valuation on the basis of variations that seem likely in view of current events. The statutory auditor is informed of these valuations and the justifications for them during their audit.

Foreign securities are converted into the equivalent value in euros in accordance with the WMR rate on the day of valuation.

UCITS/AIFs/investment funds

Units or shares of UCITS, AIFs and investment funds are valued at the last known net asset value. Foreign undertakings for collective investment that carry out valuations at times that are incompatible with the calculation of the Fund's net asset value are valued on the basis of estimates supplied by the administrators of the undertakings, under the supervision and responsibility of the Management

Company.

Transferable debt securities:

Transferable debt securities are valued in accordance with the following rules:

- BTANs and BTFs are valued on the basis of an average of contributed prices obtained from market-makers,
- Unlisted variable-rate debt securities are valued at cost price, adjusted to take into account any potential variations in credit spreads,
- Other fixed-rate transferable debt securities (certificates of deposit, commercial paper, warrants issued by financial institutions, etc.) are valued on the basis of their market price.

In the absence of an indisputable market price, transferable debt securities are valued by applying a yield curve, adjusted, if necessary, by a margin calculated on the basis of the characteristics of the security (of the issuer).

However, transferable debt securities with a residual maturity of three months or less could be valued via the straight-line method.

Temporary purchases and sales of securities

Contracts for temporary purchases and sales of transferable securities and equivalent transactions are valued at the contract rate, adjusted for any margin calls (valued in accordance with the conditions set out in the contract).

In the case of transferable securities that are unlisted or whose price has not been listed on the valuation date, as well as other items on the balance sheet, the Management Company's board of directors adjusts its valuation on the basis of variations that seem likely in view of current events.

Certain fixed-rate transactions with a maturity of over three months may be valued at market price.

II - Futures and options transactions

Organised futures and options markets

Derivatives listed on an organised market are valued on the basis of the settlement price.

Swaps

Asset swaps are valued at market price based on the issuer's credit spreads indicated by the market-makers. In the absence of a market-maker, the spreads will be obtained by any means from the available contributors.

Asset swaps with a maturity of less than or equal to three months may be valued using the straight-line method.

Other swaps are valued at market price based on yield curves.

Complex instruments such as CDS, SES and complex options are valued according to their type using an appropriate method.

Forex forwards:

These are valued at the currencies' exchange rate on the valuation date, allowing for the amortisation of contango/normal backwardation.

They may be valued at market price based on forward foreign exchange curves.

III - Off-balance-sheet commitments

Off-balance sheet commitments are valued as follows:

A) Commitments on futures markets:

1) Futures:

Commitment = reference price (the prices at 5:00 p.m. on Bloomberg, Paris time) x nominal contract value x quantities.

With the exception of commitments under the Euribor contract traded on Liffe, which are recorded at their nominal value.

2) Swap commitments:

a) Interest rate swaps

☐ Interest rate swaps with a maturity of three months or less
backed: nominal value + accrued interest (interest differential)
non-backed: nominal value + accrued interest (interest differential)

☐ Interest rate swaps with a maturity exceeding three months
backed:
° Fixed rate/variable rate
- Appraisal of the fixed-rate portion at market price
° Variable rate/fixed rate
- Appraisal of the variable-rate portion at market price

non-backed:
° Fixed rate/variable rate
- Appraisal of the fixed-rate portion at market price
° Variable rate/fixed rate
- Appraisal of the variable-rate portion at market price

b) other swaps

These will be appraised at market value.

B) Commitments on options markets:

Commitment = quantity x nominal contract value (portion) x price of underlying x delta

IV- Currencies

Foreign currency prices are converted into euros in accordance with the WMR rate (4:00 p.m. London time) for the currency on the day of valuation.

V - Unlisted financial instruments and other securities

- Financial instruments, the price of which has not been recorded on the day of valuation, are valued at the most recent officially published price or at their likely trading value, under the responsibility of the Management Company;
- Foreign securities are converted into the equivalent value in euros in accordance with the WMR rate on the day of valuation;
- The Management Company is responsible for appraising financial instruments not traded on a regulated market at their likely trading value;
- Other financial instruments are appraised at their market value as calculated by the counterparties, under the supervision and responsibility of the Management Company.

The valuations of unlisted financial instruments and the other securities referred to in this paragraph, together with the justifications for them, are communicated to the statutory auditor during its audit.

⇒ Swing pricing mechanism of net asset value with trigger threshold

Since the Fund creation date, the Management Company has implemented a method of adjusting the net asset value (NAV) with a trigger threshold.

Dealing costs are incurred relating to transactions carried out on the assets of the Fund as a result of the movements (subscriptions/redemptions) of the Fund's liabilities. The purpose of this mechanism,

which is governed by a policy, is to protect the holders who remain in the Fund by making them bear the lowest possible cost. The result is an adjusted “swing” NAV.

If, on a NAV calculation date, the total net subscription/redemption orders of investors over all the Fund's share classes exceeds a predetermined threshold, on the basis of objective criteria by the Management Company as a percentage of net assets, the NAV may be adjusted upwards or downwards, to take into account readjustment costs attributable to net subscription/redemption orders, respectively. If the Fund issues more than one class of units, the NAV of each class of units is calculated separately, but any adjustment has the same impact on the total NAV of the unit classes of the Fund.

The readjustment and triggering cost parameters are determined by the Management Company and reviewed periodically. These costs are estimated by the Management Company on the basis of the transaction costs, the purchase and sale ranges, and any applicable taxes to the Fund.

The adjustment mechanism will be applied at some point in the future, however, it is not possible to predict accurately when or how often the Management Company will make such adjustments.

Investors are advised that the volatility of the Fund's NAV may not reflect only the volatility of the securities held in the portfolio due to the application of the adjustment mechanism.

The swing-out NAV is the only net asset value of the Fund and the only one communicated to unitholders of the Fund. However, in the event of an outperformance fee, it is calculated on the NAV before the adjustment mechanism is applied.

B Accounting methods

Income is recorded on the basis of revenues received.

Trading fees are stated in the specific Fund accounts and are not included in the price.

The weighted average cost price method is used for the settlement of securities. For derivative products, however, the FIFO (First In, First Out) method is used.

Additions to the portfolio are recorded at their acquisition price excluding fees and disposals are recorded at their sale price excluding fees.

VII REMUNERATION

More information on the remuneration policy can be found online at www.h2o-am.com.

VIII ADDITIONAL INFORMATION FOR INVESTORS IN THE FEDERAL REPUBLIC OF GERMANY

Facilities in Germany:

In accordance with Article 93(1) of Directive 2009/65/EC, find hereafter information on the **facilities** to perform the tasks referred to in Article 92(1) of this Directive:

- **Process subscriptions, repurchase and redemption orders and make other payments to unit-holders relating to the units of the UCITS**

Subscriptions, repurchase and redemption orders can be addressed to CACEIS BANK, 89-91, rue Gabriel Péri, 92120 MONTRouGE, France

Payments relating to the units of the UCITS will be made by CACEIS BANK, 89-91, rue Gabriel Péri, 92120 MONTRouGE, France.

- **Provide investors with information on how orders can be made and how repurchase and redemption proceeds are paid**

Information on how orders can be made and how repurchase and redemption proceeds are paid are described in the prospectus of the fund which can be obtained from CACEIS Bank S.A., Germany Branch, Lilienthalallee 36, D-80939 Munich.

- **Facilitate the handling of information and access to procedures and arrangements referred to in Article 15 of Directive 2009/65/EC relating to investors' exercise of their rights**

Information can be obtained from the prospectus of the fund which is available from CACEIS Bank S.A., Germany Branch, Lilienthalallee 36, D-80939 Munich.

- **Make the information and documents required pursuant to Chapter IX of Directive 2009/65/EC available to investors**

Information can be obtained from CACEIS Bank S.A., Germany Branch, Lilienthalallee 36, D-80939 Munich.

The following documents may be obtained, free of charge, in hardcopy form from CACEIS Bank S.A., Germany Branch, Lilienthalallee 36, D-80939 Munich:

- the Prospectus,
- the Key Investor Information Document,
- the Management Regulations,
- the current Annual and Semi-annual Reports,

The latest issue, sale, repurchase or redemption price of the units is available at the registered office of the Fund, on the H2O Asset Management website (www.h2o-am.com).

In addition, the issue and redemption prices are published on www.fundinfo.com and any notices to investors in the Federal Gazette ("www.bundesanzeiger.de").

Moreover, communications to investors in the Federal Republic of Germany will be by means of a durable medium (section 167 of the Investment Code) in the following cases:

- suspension of the redemption of the units,
- termination of the management of the fund or its liquidation,
- any amendments to the company rules which are inconstant with the previous investment principles, which affect material investor rights or which relate to remuneration and reimbursement of expenses that may be paid or made out of the asset pool,
- merger of the fund with one or more other funds and
- the change of the fund into a feeder fund or the modification of a master fund.

Contact information

	CACEIS BANK S.A., Germany Branch
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E-mail	subsandreds_Postfach@caceis.com
Phone	+49 (0)89 5400-1016
Number	

	CACEIS BANK
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