

## H2O MULTIBONDS

### PROSPECTUS

Dated 3 APRIL 2018

#### I GENERAL FEATURES

**NAME: H2O MULTIBONDS**

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

**LEGAL STRUCTURE AND COUNTRY OF INCORPORATION:**

Mutual fund governed by and construed in accordance with French law (FCP).

**INCEPTION DATE AND EXPECTED TERM:**

The Fund was created on 23 August 2010 for a period of 99 years.

**DATE OF APPROVAL BY AMF:**

The Fund was approved by the *Autorité des marchés financiers* (AMF), the French financial markets authority, on 06 August 2010.

**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
R (C) units	All subscribers, although private individuals in particular	One ten-thousandth of a unit	One ten-thousandth of a unit	FR0010923375	Accumulation	EUR	EUR 100
R (C/D) units	All subscribers, although private individuals in particular	One ten-thousandth of a unit	One ten-thousandth of a unit	FR0011981851	Accumulation and/or Distribution	EUR	EUR 100
RUSD (C) units	All subscribers, although private individuals in particular	One ten-thousandth of a unit	One ten-thousandth of a unit	FR0011981836	Accumulation	USD	USD 100
RSGD (C) units	All subscribers, although private individuals in particular	One ten-thousandth of a unit	One ten-thousandth of a unit	FR0011973650	Accumulation	SGD	SGD 100
HCHF-R (C)* units	All subscribers, although private individuals in particular	One ten-thousandth of a unit	One ten-thousandth of a unit	FR0011061795	Accumulation	CHF	CHF 100
HUSD-R (C)** units	All subscribers, although private individuals in particular	One ten-thousandth of a unit	One ten-thousandth of a unit	FR0011973676	Accumulation	USD	USD 100

HSGD-R(C) units***	All subscribers, particularly private individuals	1 ten-thousandth of a unit	1 ten-thousandth of a unit	FR0013186681	Accumulation	SGD	SGD 100
I (C) units	All subscribers, although institutional investors in particular	EUR 100,000	One ten-thousandth of a unit	FR0010930438	Accumulation	EUR	EUR 50,000
IUSD (C) units	All subscribers, although institutional investors in particular	USD 100,000	One ten-thousandth of a unit	FR0010930735	Accumulation	USD	USD 50,000
ISGD (C) units	All subscribers, although institutional investors in particular	SGD 100,000	One ten-thousandth of a unit	FR0011973668	Accumulation	SGD	SGD 50,000
HCHF-I (C) units	All subscribers, although institutional investors in particular	CHF 100,000	One ten-thousandth of a unit	FR0012538049	Accumulation	CHF	CHF 50,000
HUSD-I (C)** units	All subscribers, although institutional investors in particular	USD 100,000	One ten-thousandth of a unit	FR0011973684	Accumulation	USD	USD 50,000
HSGD-I(C) units***	All subscribers, particularly institutional investors	SGD 100,000	1 ten-thousandth of a unit	FR0013186699	Accumulation	SGD	SGD 100
M (C/D) units	Reserved for feeder UCIs managed by the Management Company or another Group company.	One ten-thousandth of a unit	One ten-thousandth of a unit	FR0013075983	Accumulation and/or Distribution	EUR	EUR 100
N(C) units	Subscriptions in this unit are reserved to investors specifically subscribing via distributors or intermediaries: - subject to national legislation prohibiting all retrocessions to distributors Or - that provide an independent advisory service as defined by the MiFiD II European regulation or individual management under mandate.	One ten-thousandth of a unit	One ten-thousandth of a unit	FR0013186707	Accumulation	EUR	EUR 100
HCHF-N(C) units*	Subscriptions in this unit are reserved to	One ten-thousandth of a unit	One ten-thousandth of a unit	FR0013186715	Accumulation	CHF	CHF 100

	investors specifically subscribing via distributors or intermediaries: - subject to national legislation prohibiting all retrocessions to distributors Or - that provide an independent advisory service as defined by the MiFiD II European regulation or individual management under mandate						
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- \* Unit systematically hedged against the EUR/CHF currency risk
- \*\* Unit systematically hedged against the EUR/USD currency risk
- \*\*\* Unit systematically hedged against the EUR/SGD currency risk

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

The latest annual and interim reports will be sent to the holder within eight business days of receipt of a written request to:

H2O AM LLP  
 10 Old Burlington Street  
 London W1S 3AG, United Kingdom  
 E-mail: [info@h2o-am.com](mailto:info@h2o-am.com)

Any further information may be obtained from H2O AM LLP 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).

**1 Parties involved**

**MANAGEMENT COMPANY:**

H2O AM LLP  
 Legal form: Limited liability partnership under English law.  
 Authorised by the Financial Conduct Authority of the United Kingdom under number 529105  
 10 Old Burlington Street  
 London W1S 3AG, United Kingdom

**DEPOSITARY AND CUSTODIAN:**

Company name: CACEIS BANK  
 Legal form: credit institution approved by the CECEI (French credit institutions and investment firms committee)  
 Registered office: 1-3 Place Valhubert, 75013 Paris, France  
 Postal address: 1-3 Place Valhubert, 75206 Paris Cedex 13, France

The duties of the depositary include, as set out in the applicable Regulations, custody of the assets, checking that the management company's decisions are lawful and monitoring the UCITS' cash flows. The depositary is independent from the Management Company.

A description of the delegated custody duties, the list of delegates and sub-delegates of CACEIS Bank and information relating to conflicts of interest that may result from these delegations are available on the CACEIS BANK website: [www.caceis.com](http://www.caceis.com). Updated information is made available to investors upon request.

**CLEARING HOUSE:**

Company name: CACEIS BANK

Legal form: credit institution approved by the CECEI (French credit institutions and investment firms committee)

Registered office: 1-3 Place Valhubert, 75013 Paris, France

Postal address: 1-3 Place Valhubert, 75206 Paris Cedex 13, France

Under the authority of the Management Company, CACEIS Bank has been entrusted with the Fund's liability accounting and, to this end, is responsible for clearing and processing subscription and redemption requests relating to the units of the UCITS.

**PRIME BROKER:**

None

**STATUTORY AUDITOR:**

KPMG AUDIT

Represented by Ms Isabelle Bousquie

Registered office: Tour EQHO 2 avenue Gambetta CS60055, 92066 PARIS LA DEFENSE CEDEX1

**DISTRIBUTOR:**

NATIXIS INVESTMENT MANAGERS S.A.

A limited company and management company created under Luxembourg law, listed in the Luxembourg Trade and Companies Register under number B115843, which has its registered office located at 2 rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg, and which has a French branch, Natixis Investment Managers Distribution, which is listed in the registry of the Paris Commercial Court under number 509 471 173 and has its registered office at 43, avenue Pierre Mendès France CS 41432 75648 Paris cedex 13.

The distributor is the entity that markets the Fund. The Fund's management company would like to remind subscribers that not all marketing agents are appointed by or known to the management company.

**DELEGATED FUNCTIONS:**

**Delegated accounting functions:**

Company name: CACEIS FUND ADMINISTRATION, has been appointed by H2O AM LLP to provide Fund's financial management and valuation.

Registered office: 1-3 Place Valhubert, 75013 Paris, France

Postal address: 1-3 Place Valhubert, 75206 Paris Cedex 13, France

Nationality: French

## II OPERATING AND MANAGEMENT CONDITIONS

## 1 General features:

### *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"). The 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 unitholders 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](http://www.h2o-am.com).

Type of unit: bearer

#### ◆ Division of units:

R(C), R(C/D), RUSD(C), RSGD(C), HCHF-R(C), HUSD-R(C), HSGD-R(C), I(C), IUSD(C), ISGD(C), HCHF-I (C) HUSD-I(C), HSGD-I(C), M(C/D), N(C) and HCHF-N(C) units are split into ten-thousandths of a unit.

### **FINANCIAL YEAR-END:**

Last trading day of December.

The end of the first financial year was the last trading day of December 2011.

### **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 UCIs shares or units may be subject to taxation. The applicable tax system therefore depends on the tax provisions applicable to the unitholder's individual situation and country of residence. Investors are advised to consult their usual financial adviser for information on the procedures that apply to their personal circumstances. We recommend that you seek advice on this matter.

## 2 Specific provisions

### ISIN CODES:

Units	ISIN code
R (C) units	FR0010923375
R (C/D) units	FR0011981851
RUSD (C) units	FR0011981836
RSGD (C) units	FR0011973650
HCHF- R (C) units	FR0011061795
HUSD-R (C) units	FR0011973676
HSGD-R(C) units	FR0013186681
I (C) units	FR0010930438
IUSD(C) units	FR0010930735
ISGD(C) units	FR0011973668
HCHF-I (C) units	FR0012538049
HUSD-I (C) units	FR0011973684
HSGD-I(C) units	FR0013186699
M (C/D) units	FR0013075983
N(C) units	FR0013186707
HCHF-N(C) units	FR0013186715

### 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.

### INVESTMENT OBJECTIVE:

The Fund is managed in accordance with an active global fixed income investment process striving to draw value from the changes on global fixed income and currency markets, while remaining structurally long the G4 government bond markets (USA, UK, Euro-zone and Japan) and their currencies.

The Fund aims to deliver a positive performance over its minimum recommended investment term, knowing that this performance may not be directly linked with that of a reference market index.

For indicative purposes only, the Fund's performance may be compared ex-post with that of the JP Morgan Government Bond Index Broad denominated in euro for the R, I, M and N units, in US dollar for the IUSD and RUSD units and in Singapore dollar for the ISGD and RSGD units.

For the HCHF-R, HCHF-I and HCHF-N units, the Fund's performance may be compared with that of the JP Morgan Government Bond Index Broad denominated in euro and adjusted for the differential between the Swiss interest rate (CHF 1-month LIBOR) and the Eurozone rate (1-month EURIBOR), over its recommended minimum investment term, after the deduction of operating and management fees.

For the HUSD-R and HUSD-I units, the Fund's performance may be compared with that of the JP Morgan Government Bond Index Broad denominated in euro and adjusted for the differential between the US interest rate (USD 1-month LIBOR) and the Eurozone rate (1-month EURIBOR), over its recommended minimum investment term, after the deduction of operating and management fees.

For the HSGD-R and HSGD-I units, the Fund's performance may be compared with that of the JP Morgan Government Bond Index Broad denominated in euro and adjusted for the differential between the Singapore interest rate (1-month SIBOR) and the Eurozone rate (1-month EURIBOR), over its recommended minimum investment term, after the deduction of operating and management fees.

□ **REFERENCE INDEX:**

The Fund aims to deliver a positive performance over its minimum recommended investment term, knowing that this performance may not be directly linked to a reference market index.

The JP Morgan Government Bond Index Broad is provided for information purposes only. It is made up of global government bond securities with a minimum Standard & Poor's rating of BBB- and a minimum Moody's rating of Baa3 ("investment grade" category). Issues must be fixed rate only and must have a residual maturity in excess of one year. The index, expressed either in euro, US dollar or Singapore dollar, is not hedged against the currency risk.

The Fund's performance may be compared ex-post with that of the JP Morgan Government Bond Index Broad for all unit classes and, more specifically, in the currency corresponding to each unit class for R, RUSD, RSGD, I, IUSD, ISGD, M and N.

The HCHF-R, HCHF-I and HCHF-N units are hedged against the EUR/CHF currency risk, taking into account the differential between the Swiss interest rate (CHF 1-month LIBOR) and the Eurozone rate (1-month EURIBOR).

The 1-month CHF LIBOR (London Interbank Offered Rate) interest rate is the average rate at which a selection of large London-based banks lends each other loans in Swiss francs with a maturity of one month. It is calculated every working day at 11.00 a.m. (London time) and published by the British Bankers' Association (BBA).

The HUSD-R and HUSD-I units are hedged against the EUR/USD currency risk, taking into account the differential between the US interest rate (USD 1-month LIBOR) and the Eurozone rate (1-month EURIBOR).

The 1-month USD LIBOR (London Interbank Offered Rate) interest rate is the average rate at which a selection of large London-based banks lends each other loans in US dollars with a maturity of one month. It is calculated every working day at 11.00 a.m. (London time) and published by the British Bankers' Association (BBA).

The HSGD-R and HSGD-I units are hedged against the EUR/SGD currency risk, taking into account the differential between the Singapore interest rate (1-month SIBOR) and the Eurozone rate (1-month EURIBOR).

The 1-month SIBOR (Singapore Interbank Offered Rate) is the average interest rate at which a selection of large, Singapore-based banks lends to one another in Singapore dollars for a term of one month. It is calculated every working day at 11.00 a.m. (London time) and published by the British Bankers' Association (BBA).

□ **INVESTMENT STRATEGY:**

A) Description of the strategies employed

The portfolio management team implements strategic and tactical positions as well as arbitrages on all global debt and currency markets. It also actively diversifies the Fund into corporate and emerging credit bond markets and into currencies of emerging countries.

For each asset class, a specific exposure may be implemented, separately from the other asset classes. The Fund 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, an analysis of capital flows and an appraisal of market valuations.

The overall modified duration of the Fund is comprised within a range from 0 to +10.

This objective will be based on the following ten major approaches to adding value:

#### **Management of Investment Grade government bonds:**

1. **Active management of the Fund's exposure to global bond market risk (in modified duration);**
2. **Allocation of the Fund's modified duration** (positive) 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 modified duration on certain markets, sale of modified duration on others);
3. **Allocation of the modified duration** (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 Europe zone (EMU Member States, Norway, Sweden, Denmark, Iceland, Switzerland, Poland, the Czech Republic and Hungary).

#### **Management of Investment Grade non-government bonds, and non-Investment Grade government and non-government bonds:**

5. Active diversification on all government bond markets, including non-investment grade;
6. Active diversification on all non-government (corporate) bond markets.

#### **Currency management:**

7. **Strategic exposure to the US dollar**: purchase or sale of the US dollar against all other currencies;
8. **Relative allocation among the three main currency “blocs”**: “euro” 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); “commodity currency” bloc (where currency trends are linked to commodity prices, mainly Canadian dollar, Australian dollar, New Zealand dollar and South African rand);
9. **Allocation within each bloc** by buying and selling each of the currencies comprising the three blocs;
10. Diversification among non-OECD market currencies.

The Fund's performance objective will be sought in due observation of a maximum ex-ante value at risk (VaR) of 20% over a 20 day-period, with a confidence interval of 99% and an ex-post average annual volatility comprised within a [8%; 15%] bracket.

The HCHF-R, HCHF-I and HCHF-N units are hedged against the currency risk to limit the impact of fluctuations in the EUR/CHF exchange rate on the Fund's performance.



This unit class therefore aims to achieve the best hedging against the EUR/CHF currency risk during the investment term of the Fund, which could affect performance.

The HUSD-R and HUSD-I unit classes are hedged against the currency risk to limit the impact of fluctuations in the EUR/USD exchange rate on the Fund's performance.

This unit class therefore aims to achieve the best hedging against the EUR/USD currency risk during the investment term of the Fund, which could affect performance.

The HSGD-R and HSGD-I unit classes are hedged against the currency risk in order to limit the impact of fluctuations in the EUR/SGD exchange rate on the Fund's performance.

This unit therefore aims to achieve the best hedging against the EUR/SGD currency risk during the investment term of the Fund, which could affect performance.

<b>Modified duration range</b>	Between 0 and +10
<b>Issuers' geographical region*</b>	All geographical regions
<b>Base currency of securities</b>	All currencies
<b>Currency risk permitted</b>	Up to 600%

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 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 **60% of the net assets in non-government bonds** issued by companies with their registered offices in an OECD member country.

The management team 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 Management Company's criteria at the time of their acquisition (for example, BBB- according to the Standard & Poor's or Fitch Ratings rating scales, 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 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 Management Company 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** (MBS – securitisation of mortgage loan portfolios, and ABS – securitisation of portfolios of non-mortgage loans such as consumer credit, automobile credit and credit cards).

The management team 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 Management Company'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 Management Company'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 Management Company'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 Management Company's analysis.

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

Moreover, when the rating of an issuer of a security already present in the portfolio deteriorates and falls below the minimum rating, the management company 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 **30% 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.
- Up to 5% of the assets in contingent convertible bonds.

The Fund may invest in any type of bond including fixed-rate, variable rate, indexed, exchangeable, convertible and other bonds.

**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/AIF funds), and the agreement of repurchase agreements and deposits.

**Currencies:**

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

<b>Recap of the main limits for investment in bonds (<i>ratings applicable at time of purchase</i>)</b>	
Overall modified duration range	[0; +10]
OECD government bonds	Maximum 100% of net assets
OECD non-government bonds rated investment grade at purchase	Maximum 60% 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 30% of net assets
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## 2-2 Special instruments

### 2.2.1 Holding of shares or units of UCITS/AIFs/investment funds

The Fund may hold units or shares in UCITS, AIFs or investment funds, up to a limit of 10% of its assets:

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 French Monetary and Financial Code*	X
Investment funds under foreign law which comply with Article R. 214-13 of the French Monetary and Financial Code*	X

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

The UCIs and investment funds held by the Fund may be managed by the management company or by a legally affiliated company.

### 2-2.2 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.

The Fund may use derivatives to overcommit its portfolio.  
The table below details the Fund's operating conditions regarding derivatives.

**TABLE OF DERIVATIVES**

Type of instrument used	MARKET TYPE			RISK TYPE					OPERATION TYPE			
	Admission to regulated markets*	Organised markets	OTC markets	Equity	Interest rates	Currency	Credit	Other risk(s)	Hedging	Exposure	Arbitrage	Other(s)
<b>Futures on</b>												
Equities												
Interest rates	X	X			X			X	X	X	X	
Exchange rates	X	X				X		X	X	X	X	
Indices	X	X			X	X	X		X	X	X	
<b>Options on</b>												
Equities												
Interest rates	X	X	X		X			X	X	X	X	

<i>Exchange rates</i>	X	X	X			X		X	X	X	X	
<i>Indices</i>												
<b>Swaps</b>												
<i>Equities</i>												
<i>Interest rates</i>			X		X			X	X	X	X	
<i>Exchange rates</i>			X			X		X	X			
<i>Indices</i>												
<b>Forex forward</b>												
<i>Currency</i>			X			X		X	X	X	X	
<b>Credit derivatives</b>												
<i>Credit default swaps (CDS)</i>			X				X	X	X	X	X	
<i>First default</i>												
<i>First losses credit default swap</i>												

\* See the management company's policy for the execution of orders at [www.h2o-am.com](http://www.h2o-am.com).

The Fund will not enter into Total Return Swaps.

#### Information relating to OTC financial agreements:

Counterparties are leading credit institutions. They are selected and regularly assessed in accordance with the counterparty selection procedure, which is available upon simple request to the Management Company. These transactions are systematically covered by an agreement signed between the Fund and the counterparty that defines the procedures for reducing counterparty risk.

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

#### 2-2.3 Securities with embedded derivatives:

The table below details the Fund's operating conditions regarding securities with embedded derivatives.

#### CHART OF SECURITIES WITH EMBEDDED DERIVATIVES

<i>Type of instrument used</i>	RISK TYPE					OPERATION TYPE			
	Equities	Interest rates	Currency	Credit	Other risk(s)	Hedging	Exposure	Arbitrage	Other(s)
<b>Warrants on</b>									
<b>Equities</b>									
<b>Interest rates</b>									
<b>Exchange rates</b>									
<b>Indices</b>									
<b>Subscription warrants</b>									
<b>Equities</b>									
<b>Interest rates</b>									

Equity-linked products									
<b>Convertible bonds</b>									
Exchangeable bonds	X	X				X	X		
Convertible bonds	X	X				X	X		
Contingent Convertible bonds	X	X		X	X		X		
<b>Callable interest rate products</b>		X	X	X	X	X	X		X
<b>Puttable interest rate products</b>		X	X	X	X	X	X		X
<b>Structured EMTN/BMTN</b>									
Structured BMTN									
Structured EMTN									
Credit linked notes (CLN)									
<b>Other (to be specified)</b>									

\* See the management company's policy for execution of orders on [www.h2o-am.com](http://www.h2o-am.com)

### **2-3 Deposits:**

The Fund may make deposits with a maximum term of twelve months in compliance with the *Code Monétaire et Financier*, 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.

### **2-4 Liquidities:**

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

### **2-5 Cash borrowings:**

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

### **2-6 Temporary purchase and sale of securities:**

The Fund may carry out temporary purchase and sales of securities (also called securities financing transactions), subject to a maximum commitment of 50% of net assets. The expected proportion of assets which will be the subject of such transactions may represent 30% of the assets.

<b>Types of transaction used</b>	
Repurchase and reverse repurchase agreements in accordance with the <i>Code Monétaire et Financier</i> , the French Monetary and Financial Code.	<u>X</u>
Securities lending and borrowing in accordance with the French Monetary and Financial Code	<u>X</u>
Other	

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

The use of securities financing transactions will aim at proving the Fund with additional return and therefore contribute to the performance of the Fund. In addition the Fund may enter into repurchase agreements in substitution of the collateral received in cash and/or reverse repurchase agreements for cash management purpose.

These transactions may apply to all assets composing the Fund. The securities financing transactions will be subject to collateral arrangements as described in further details in the section “Contracts qualifying as collateral arrangements” hereinafter.

## **2-7 Contracts qualifying as collateral arrangements:**

When entering into financial derivatives agreements and securities financing transactions, the Fund may receive/provide collateral based upon the transfer of full ownership of the securities or cash collateral. Securities received as collateral comply with the criteria set forth in the relevant regulation and must be provided by credit institutions or other entities complying with the criteria pertaining its legal structure, country and other financial requirements as contemplated in the Code Monetaire et Financier, the French Monetary and Financial Code,

Securities received in collateral and the applicable haircuts policies are determined by the Management Company in accordance with the applicable regulations and include 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 eligible collateral policy defines clearly the level of collateral required and the haircut applicable to each type of collateral taking into account the characteristics of the collateral. The policy describes also, in accordance with applicable regulations, the rules for diversification of risks, correlation, valuation, credit quality and regular stress tests on the liquidity of the collateral. In accordance with the conditions set out in the regulations, in the event that collateral is received in cash, it may only be:

- Placed on deposit;
- Invested in high quality government bonds;
- Used in delivery repurchase agreements;
- Invested in short-term monetary undertakings for collective investment (UCI).

Non-cash collateral received should not be sold, re-invested or pledged.

In accordance with the rules set forth in this prospectus, the Management Company will proceed to a daily valuation of the collateral received based on the market price (mark-to-market). Collateral margin variations will be calculated on a daily basis.

Collateral received by the Fund will be held by the Depositary of the Fund or a third-party custodian which is subject to prudential supervision, and is unrelated to the provider of the collateral.

The risks associated with securities financing transactions, financial contracts and collateral arrangements are described in the risk profile section.

### **❑ RISK PROFILE:**

Your money will be primarily invested in financial instruments selected by the Management Company. 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 paper 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 occasionally 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 modified duration.

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

Modified duration measures the impact of a change in rates on the Fund's valuation. Therefore, if the Fund has a modified duration 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 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 sales transactions and/or falls in the case of purchase transactions), the net asset value of the UCITS may fall.

**Currency 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.

For HCHF-R, HCHF-I and HCHF-N units, denominated in CHF, the EUR/CHF currency risk is hedged at the unit level. Holders are therefore protected from this CHF/EURO currency risk.

For HUSD-R and HUSD-I units, denominated in USD, the EUR/USD currency risk is hedged at the unit level. Holders are therefore protected from this USD/EURO currency risk.

For HSGD-R and HSGD-I units, denominated in SGD, the EUR/SGD foreign exchange risk is hedged at the unit level. Holders are therefore protected from a rise in the SGD/EUR foreign exchange risk.

**Overexposure risk:** As part of the method used to calculate commitment, risk budgets are 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 compliant with the predefined modified duration 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.

**Risks linked to the temporary purchase/sell of securities and the management of collateral:** temporary purchase/sell of securities and the management of related collateral can generate risks for the FCP such as (i) the counterparty risk (as described above), (ii) liquidity risk, and when relevant the risks generated by the reuse of collateral (mainly the risk that collateral received by the FCP may not be available for restitution to the counterparty for collateral received in securities or may not enable the FCP to reimburse the counterparty for collateral received in cash).

**Risk associated with investments in contingent convertible bonds:**

The Fund may invest in contingent convertible subordinated bonds, also known as CoCo bonds, which are fixed-income securities that incorporate either an option to convert into shares or an option to impair the security, which is triggered in the event of the issuer's level of capital falling below a predetermined threshold. In addition to the interest rate and credit risk inherent to bonds, the activation of this option

may cause the Fund's net asset value to fall more significantly than would be caused by other conventional bonds from the issuer.

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

R, RUSD, RSGD, HCHF-R, HUSD-R, HSGD-R, I, IUSD ISGD, HCHF-I, HUSD-I, HSGD-I, M, N and HCHF-N units are aimed at all subscribers. R, RUSD, RSGD, HCHF-R, HUSD-R and HSGD-R units are primarily aimed at private individuals. I, IUSD, ISGD, HCHF-I, HUSD-I and HSGD-I units are primarily aimed at institutional investors.

M units are reserved for feeder UCITS/AIFs managed by the Management Company or another Group company.

N units and HCHF-N units are aimed particularly to investors subscribing via distributors or intermediaries:

- subject to national legislation prohibiting all retrocessions to distributors

Or

- that provide an independent advisory service as defined by the MiFiD II European regulation or individual management under mandate.

The fund is aimed at investors seeking a performance linked to interest rate and foreign currency markets over an investment period of at least the minimum recommended investment period.

Minimum recommended investment period: three years.

Subscribers residing in the territory of the United States of America are not authorised to subscribe to this UCITS.

The amount that it is appropriate to invest in this Fund will depend on the personal situation of each investor. To determine this amount, investors should consider their personal assets, the applicable regulations, their current and future financial needs over the recommended investment period and the level of risk they are prepared to accept.

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

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

R (C), RUSD (C), RSGD (C), HCHF-R (C), HUSD-R (C), HSGD-R (C), I (C), IUSD (C), ISGD (C), HCHF-I (C), HUSD-I (C), HSGD-I (C), N (C) and HCHF-N (C) units are accumulation units.

R (C/D) and M (C/D) units are capitalisation and/or distribution units. The distributable sums (net result and net gains achieved) are distributed annually and/or capitalised and/or carried over after the end of the financial year, as decided by the management company. It reserves the right to pay interim dividends on this distributable income. Please refer to Article 9 of the Regulations of the UCITS for more information.

❑ **UNIT FEATURES:**

Unit classes	ISIN code	Base currency	Unit division	Minimum initial subscription	Minimum subsequent subscription
R (C) units	FR0010923375	EUR	Ten-thousandths	One ten-thousandth of a unit	One ten-thousandth of a unit
R (C/D) units	FR0011981851	EUR	Ten-thousandths	One ten-thousandth of a unit	One ten-thousandth of a unit



RUSD (C) units	FR0011981836	USD	Ten-thousandths	One ten-thousandth of a unit	One ten-thousandth of a unit
RSGD (C) units	FR0011973650	SGD	Ten-thousandths	One ten-thousandth of a unit	One ten-thousandth of a unit
HCHF-R (C) units	FR0011061795	CHF	Ten-thousandths	One ten-thousandth of a unit	One ten-thousandth of a unit
HUSD-R (C) units	FR0011973676	USD	Ten-thousandths	One ten-thousandth of a unit	One ten-thousandth of a unit
HSGD-R (C) units	FR0013186681	SGD	Ten-thousandths	1 ten-thousandth of a unit	1 ten-thousandth of a unit
I (C) units	FR0010930438	EUR	Ten-thousandths	EUR 100,000	One ten-thousandth of a unit
IUSD (C) units	FR0010930735	USD	Ten-thousandths	USD 100,000	One ten-thousandth of a unit
ISGD (C) units	FR0011973668	SGD	Ten-thousandths	SGD 100,000	One ten-thousandth of a unit
HCHF-I (C) units	FR0012538049	CHF	Ten-thousandths	CHF 100,000	One ten-thousandth of a unit
HUSD-I (C) units	FR0011973684	USD	Ten-thousandths	USD 100,000	One ten-thousandth of a unit
HSGD-I (C)	FR0013186699	SGD	Ten-thousandths	SGD 100,000	1 ten-thousandth of a unit
M (C/D) units	FR0013075983	EUR	Ten-thousandths	One ten-thousandth of a unit	One ten-thousandth of a unit
N (C) units	FR0013186707	EUR	Ten-thousandths	One ten-thousandth of a unit	One ten-thousandth of a unit
HCHF-N (C) units	FR0013186715	CHF	Ten-thousandths	One ten-thousandth of a unit	One ten-thousandth of a unit

**□ SUBSCRIPTION AND REDEMPTION PROCEDURES:**

Subscription and redemption orders are centralised at 12.30 p.m. on each net asset value calculation day (D). 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.

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

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 LLP

10 Old Burlington Street, London W1S 3AG, United Kingdom

Website: [www.h2o-am.com](http://www.h2o-am.com)

**□ FEES AND COMMISSIONS:**

Subscription and redemption fees:

Subscription and redemption fees increase the subscription price paid by the investor or reduce the redemption price. The fees charged by the UCITS serve to offset the charges it incurs when investing and divesting investors' holdings. Fees that are not paid to the Fund are paid to the Management Company, Marketing Agent, etc.

<b>Fees charged to the investor, payable at the time of subscription or redemption</b>	<b>Basis</b>	<b>Rate scale</b>
Maximum subscription fee not retained by the UCITS	Net asset value X Number of units	<b><u>R, RUSD, RSGD, HCHF-R, HUSD-R and HSGD-R units:</u></b> 1% maximum <b><u>I, ISGD, IUSD, HCHF-I, HUSD-I and HSGD-I units:</u></b> 1% maximum  <b><u>M units:</u></b> 5%  <b><u>N and HCHF-N units:</u></b> None
Subscription fee retained by the UCITS	Net asset value X Number of units	None
Maximum redemption fee not retained by the UCITS	Net asset value X Number of units	None
Redemption fee retained by the UCITS	Net asset value X Number of units	None

Fees charged to the UCITS:

These charges cover:

- Management fees;
- External administrative fees not related to the Management Company;
- Indirect maximum charges (commissions and management fees) for UCITS that invest over 20% in other UCITS/AIFs or investment funds;
- Transfer fees;
- Outperformance fees.

<b>Fees charged to the UCITS:</b>	<b>Basis</b>	<b>Rate scale</b>
Management fees	Net assets	<b><u>I, ISGD, IUSD, HCHF-I, HUSD-I and HSGD-I units:</u></b> Maximum 0.70% incl. tax
Administrative fees not related to the management company	Net assets	<b><u>R, RUSD, RSGD, HCHF-R, HUSD-R and HSGD-R</u></b> Maximum 1.10% incl. tax  <b><u>M units:</u></b> Maximum 0.10% incl. tax  <b><u>N and HCHF-N units:</u></b> Maximum 0.80% incl. tax
Transfer fees	Deducted from each transaction or operation, allocated proportionately between beneficiaries	A maximum rate of 0.015% per month on financial instruments and a maximum of €400 per month for the administration of over-the-counter transactions
Outperformance fee	Positive difference between valued asset and reference asset	25%, including tax, of the outperformance relative to the index shown below M units: none

The HCHF-R, HCHF-I and HCHF-N units are hedged against the currency risk for the portion of the assets affected by the euro/Swiss franc exchange rate. As such, slight structural differences in outperformance will be detected by comparison with the differences in the euro I and R units. These differences are mainly linked to imperfections in hedging against the currency risk and to the difference between Swiss interest rates (CHF 1-month LIBOR) and the Eurozone rate (1-month EURIBOR).

The HUSD-R and HUSD-I units are hedged against the currency risk for the part of the assets affected by the euro/US dollar exchange rate. As such, slight structural differences in outperformance will be detected by comparison with the differences in the euro I and R units. These differences are mainly linked to imperfections in hedging against the currency risk and to the difference between US interest rates (USD 1-month LIBOR) and the Eurozone rate (1-month EURIBOR).

The HSGD-R and HSGD-I units are hedged against the currency risk for the portion of the assets affected by the EUR/SGD exchange rate. As such, slight structural differences in outperformance will arise when comparing the euro I and R units. These differences are mainly linked to imperfections in the hedging against foreign exchange risk and to the difference between the Singapore interest rate (1-month SIBOR) compared with the Eurozone rate (1-month EURIBOR).

The performance fee applicable to a particular unit class is based on a comparison of the Fund's valued asset and its reference asset.

The Fund's **valued assets** are the portion of the assets corresponding to a specific unit class, 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.

The Fund's **reference assets** are the portion of the assets corresponding to a specific unit class, adjusted to take into account the subscription/redemption amounts applicable to this unit class at each valuation, and valued in accordance with the reference rate of the Fund unit.

The reference rate is equal:

- to the daily compounded EONIA (denominated in euros) plus 3% per year for I units, 2.90% per year for N units and 2.60% per year for R units. The EONIA (European Overnight Index Average) rate corresponds to the average rates on that day in the Eurozone. It is calculated by the European Central Bank and published by the European Banking Federation on [www.euribor.org](http://www.euribor.org).
- to the USD 1-month LIBOR (denominated in US dollars) plus 3% per year for IUSD and HUSD-I units and 2.60% per year for RUSD and HUSD-R units.
- to the 1-month SIBOR (denominated in Singapore dollars) plus 3% per year for ISGD and HSGD-I units and 2.60% for RSGD and HSGD-R units, and
- to the CHF 1-month LIBOR (denominated in Swiss francs) plus 3% per year for HCHF-I units and 2.90% per year for HCHF-N units and 2.60% for HCHF-R units.

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

The observation period is defined as follows:

For R (C), I (C) and IUSD (C) units:

- Initial observation period: from 1 September 2010 to the last trading day of December 2011;
- Subsequent observation periods: from the first trading day of January to the last trading day of December of each year.

For HCHF-R (C) units:

- Initial observation period: from 23 June 2011 to the last trading day of December 2012;
- Subsequent observation periods: from the first trading day of January to the last trading day of December of each year.

For HCHF-I (C) units:

- Initial observation period: from 22 April 2015 to the last trading day of December 2016;
- Subsequent observation periods: from the first trading day of January to the last trading day of December of each year.

For R (C/D), RUSD (C), RSGD (C), HUSD-R (C), ISGD (C) and HUSD-I (C) units:

- Initial observation period: from 20 June 2014 to the last trading day of December 2015;
- Subsequent observation periods: from the first trading day of January to the last trading day of December of each year.

-

For HSGD-R (C), HSGD-I (C), N (C) and HCHF-N (C) units:

- Initial observation period: from 10 October 2016 to the last trading day of December 2017;
- Subsequent observation periods: from the first trading day of January to the last trading day of December of each year.

At the beginning of each observation period, the reference asset used will be the higher of the asset value recorded on 31 August 2010 for R, I and IUSD units, on 22 June 2011 for HCHF-R units, on 22 April 2015 for HCHF-I units and on 10 October 2016 for HSGD-R (C), HSGD-I (C), N (C) and HCHF-N (C) units, and all the valued assets recorded on the final day of each of the observation periods since the creation of the Fund. If necessary, the reference assets will be adjusted to take into account the amounts of any subscriptions/redemptions occurring between the recording date for the reference assets and the start of the new observation period.

If, during the observation period, the Fund's valued asset exceeds the reference asset as defined above, the variable portion of the management fees will represent up to 25% of the difference between these two assets.

If, during the observation period, the Fund's valued asset is lower than the reference asset, the variable portion of the management fees will be zero.

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

In the event that the Fund's valued asset is lower than the reference asset between two net asset values, any previously approved provision will be replaced with a new provision. The new provisions must not exceed the previous allocations.

This variable portion will be collected at the end of each observation period only if, over the elapsed period, the Fund's valued asset exceeds the reference asset at the time of the final net asset value.

In the event of redemption, the portion of the provision corresponding to the number of units redeemed will be permanently retained by the Management Company.

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

All remuneration from these operations is retained in full by the Fund.

**Brief description of the selection procedure for intermediaries:**

The management company has implemented a selection and assessment procedure for intermediaries, which takes into account such objective criteria as quality of research, commercial monitoring and execution. This procedure is available on the H2O AM LLP website, at [www.h2o-am.com](http://www.h2o-am.com)

### III 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 LLP

10 Old Burlington Street, London W1S 3AG, United Kingdom

E-mail: [info@h2o-am.com](mailto:info@h2o-am.com)

The documents will be sent within eight business days.

- These documents are also available at [www.h2o-am.com](http://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 LLP, from the marketing agents' branches and from the website at "[www.h2o-am.com](http://www.h2o-am.com)".

**COMMERCIAL DOCUMENTATION**

Commercial documentation is available to the Fund's unitholders and subscribers online from [www.h2o-am.com](http://www.h2o-am.com) or [www.ostrum.com](http://www.ostrum.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 taking account of criteria relating to compliance with environmental, social and quality governance (ESG) objectives can be found in the annual reports of the relevant UCITS and on the management company's website.

#### IV INVESTMENT RULES

The UCITS complies with the investment rules for UCITS as stipulated by the *Code monétaire et financier*, the French Monetary and Financial Code.

#### V OVERALL RISK

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

The indicative average level of leverage for the UCITS is 4/5. However, the UCITS has the possibility of reaching a higher level of leverage. The indicative level of leverage for the UCITS is calculated as the sum of the nominal positions on the financial contracts that are used.

#### VI ASSET VALUATION AND ACCOUNTING RULES

##### **A - Asset valuation rules**

##### **2 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 closure 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:

##### **Shares**

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 retrieved at 5.00 p.m. (Paris time) in accordance with the WMR rate for the currency on the day of valuation.

##### **Investment securities**

Transferable securities for which the price 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**

Units or shares of UCITS/AIFs 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 are valued via the straight-line method.

### **Temporary purchases and disposals 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.

## **2 Futures and options transactions**

### **Organised futures and options markets**

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

### **Swaps**

Asset swaps are valued at the market price based on the residual maturity of the asset and the valuation of the issuer's credit spread (or the trend in its rating).

Asset swaps with a maturity of three months or less are valued using the straight-line method, except in the case of an exceptional market event.

Asset swaps with a residual maturity exceeding three months are valued at market price based on the 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.

Other swaps are valued in accordance with the following rules:

Swaps with a maturity of three months or less are valued using the straight-line method. Swaps with a residual maturity exceeding three months are valued using the turnaround rate in line with a zero-coupon curve.

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

### **Forward exchange contracts:**

These are valued at the currencies' exchange rate on the valuation date, allowing for the amortisation of carry-forward/discount.

### **3 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

### **4 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.

### **5 Unlisted financial instruments and other securities**

- Financial instruments for which the price 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 their audit.

⇒ **Swing pricing mechanism of net asset value with trigger threshold (from 8 September 2017)**

As at 8 September 2017, 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**

Details of the remuneration policy are available at [www.h2o-am.com](http://www.h2o-am.com)

## VIII ADDITIONAL INFORMATION FOR INVESTORS IN THE FEDERAL REPUBLIC OF GERMANY

The function of the Paying and Information Agent in the Federal Republic of Germany is performed by:

CACEIS Bank, Germany Branch  
Lilienthalallee 34 - 36,  
D-80939 Munich,  
Germany

(hereinafter: German Paying and Information Agent)

Applications for the redemptions and conversion of units may be sent to the German Paying and Information Agent.

All payments to investors, including redemption proceeds and potential distributions may be obtained upon request through the German Paying and Information Agent.

The following documents may be obtained, free of charge, in hardcopy form at the office of the German Paying and Information Agent:

- the prospectus,
- the key investor information document,
- the current annual and semi-annual reports,
- the Management Regulations,
- the custody agreement between the Management Company and CACEIS Bank.

The issue and redemption prices, the net asset value as well as any notices to investors are also available from the German Paying and Information Agent. In addition, the issue and redemption prices are published on [www.fundinfo.com](http://www.fundinfo.com) and any notices to investors in the Federal Gazette ("[www.bundesanzeiger.de](http://www.bundesanzeiger.de)").

In addition, 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 fund's rules which are inconsistent 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.