

# H2O ALLEGRO

## PROSPECTUS

DATED 22 DECEMBER 2017

### I GENERAL FEATURES

□ **NAME:** H2O ALLEGRO

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

□ **LEGAL STRUCTURE AND COUNTRY OF INCORPORATION:**

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

□ **INCEPTION DATE AND EXPECTED TERM:**

The Fund was created on 16 March 2011 for a period of 99 years.

□ **DATE OF APPROVAL BY THE AMF:**

The Fund was approved by the *Autorité des marchés financiers*, the French Financial Markets Authority (AMF), on 22 February 2011.

□ **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)	All subscribers, although private individuals in particular	EUR 10,000	One ten-thousandth of a unit	FR0011015460	Accumulation	EUR	EUR 10,000
HUSD-R (C)*	All subscribers, although private individuals in particular	USD 10,000	One ten-thousandth of a unit	FR0011973627	Accumulation	USD	USD 10,000
HSGD – R (C)**	All subscribers, although private individuals in particular	SGD 10,000	One ten-thousandth of a unit	FR0011973601	Accumulation	SGD	SGD 100
HCHF– R (C)***	All subscribers, although private individuals in particular	CHF 10,000	One ten-thousandth of a unit	FR0011973585	Accumulation	CHF	CHF 10,000
I (C)	All subscribers, although institutional investors in particular	EUR 100,000	One ten-thousandth of a unit	FR0011006188	Accumulation	EUR	EUR 50,000
HGBP-I (C)****	All subscribers, although institutional investors in	GBP 1,000,000	One ten-thousandth of a unit	FR0011192327	Accumulation	GBP	GBP 100

	particular						
HUSD-I (C)*	All subscribers, although institutional investors in particular	USD 100,000	One ten-thousandth of a unit	FR0011973635	Accumulation	USD	USD 50,000
HSGD-I (C)**	All subscribers, although institutional investors in particular	SGD 100,000	One ten-thousandth of a unit	FR0011973619	Accumulation	SGD	SGD 50,000
HCHF-I (C)***	All subscribers, although institutional investors in particular	CHF 100,000	One ten-thousandth of a unit	FR0012518389	Accumulation	CHF	CHF 50,000
HAUD-I (C)****	All subscribers, although institutional investors in particular	AUD 150,000	One ten-thousandth of a unit	FR0013186632	Accumulation	AUD	AUD 100
M (D)	Reserved for feeder UCIs managed by the Management Company or another Group company.	EUR 10,000	One ten-thousandth of a unit	FR0013076973	Net income: Distribution	EUR	EUR 100
N(C)	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	EUR 10,000	One ten-thousandth of a unit	FR0013186673	Accumulation	EUR	EUR 100

\* Unit systematically hedged against EUR/USD currency risk

\*\* Unit systematically hedged against EUR/SGD currency risk

\*\*\* Unit systematically hedged against EUR/CHF currency risk

\*\*\*\* Unit systematically hedged against EUR/GBP currency risk

\*\*\*\*\* Unit systematically hedged against EUR/AUD currency risk

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

The latest annual report and interim report details will be sent to the unitholder within eight working 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**

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  
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:**

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 functions of the institution responsible for clearing subscription and redemption orders and the institution responsible for keeping the registers of units (Fund liabilities) are performed by CACEIS Bank.

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

❑ **PRIME BROKER:**

None

❑ **STATUTORY AUDITOR:**  
**KPMG AUDIT**

REPRESENTED BY ISABELLE BOUSQUIE  
REGISTERED OFFICE : TOUR EQHO 2 AVENUE GAMBETTA CS60055  
92066 PARIS LA DEFENSE CEDEX

❑ **DISTRIBUTORS:**  
**NATIXIS INVESTMENT MANAGEURS**

A Société Anonyme and investment company incorporated under Luxembourg law and registered with the Luxembourg Trade Register under number B115843, having its registered office at 2 rue Jean Monnet, L-2180 Luxembourg, Grand-Duché du Luxembourg, having a French branch named "Natixis Investment Managers Distribution" registered with Paris Trade register under n° 509 471 173 and having its registered office 21 quai d'Austerlitz, 75634 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 the Fund's accounting 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 unitholders 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.

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 available at the Management Company's registered office or on the website [www.h2o-am.com](http://www.h2o-am.com).

Type of unit: bearer

◆ **Division of units:**

R(C), I(C), HGBP-I (C), HUSD-R (C), HSGD-R(C), HCHF-R(C), HUSD-I (C), HSGD-I (C), HCHF-I, HAUD-I (C), N(C) and M (D) units are split into ten-thousandths of a unit.

□ **FINANCIAL YEAR-END:**

Last trading day in June.

The first financial year ended on the last trading day of June 2012.

□ **INFORMATION ON THE TAXATION SYSTEM:**

The Fund itself is not subject to taxation. Depending on your tax system, any capital gains and income derived from holding of any UCITS 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 CODE:**

Units	ISIN code
R (C) unit	FR0011015460
HUSD-R (C) unit	FR0011973627
HSGD-R (C) unit	FR0011973601
HCHF-R (C) unit	FR0011973585
I (C) unit	FR0011006188
HGBP-I (C) unit	FR0011192327
HUSD-I (C) unit	FR0011973635
HSGD-I (C) unit	FR0011973619
HCHF-I (C) unit	FR0012518389
HAUD-I (C) unit	FR0013186632
M (D) unit	FR0013076973
N (C) unit	FR0013186673

□ **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.

□ **INVESTMENT OBJECTIVE:**

For R, I, M and N units

The investment objective is to outperform the daily capitalized EONIA rate by implementing a management process based upon strategic and tactical positions, as well as arbitrages on all global

fixed income and currency markets, over the minimum recommended investment period after deduction of operating and management fees.

#### For HGBP-I units

The investment objective is to outperform the GBP 1-month LIBOR (London Interbank Offered Rate), by implementing a management process based upon strategic and tactical positions, as well as arbitrages on all global fixed income and currency markets, over the minimum recommended investment period after deduction of operating and management fees.

#### For HCHF-R and HCHF-I units

The investment objective is to outperform the CHF 1-month LIBOR (London Interbank Offered Rate), by implementing a management process based upon strategic and tactical positions, as well as arbitrages on all global fixed income and currency markets, over the minimum recommended investment period after deduction of operating and management fees.

#### For HUSD-I and HUSD-R units

The investment objective is to outperform the USD 1-month LIBOR (London Interbank Offered Rate), by implementing a management process based upon strategic and tactical positions, as well as arbitrages on all global fixed income and currency markets, over the minimum recommended investment period after deduction of operating and management fees.

#### For HSGD-I and HSGD-R units

The investment objective is to outperform the 1-month SIBOR (Singapore Interbank Offered Rate), by implementing a management process based upon strategic and tactical positions, as well as arbitrages on all global fixed income and currency markets, over the minimum recommended investment period after deduction of operating and management fees.

#### For HAUD-I units

The investment objective is to outperform Australian 30-day bank accepted bills by implementing a management process based upon strategic and tactical positions as well as arbitrages on all global fixed income and currency markets, over the minimum recommended term of investment period after the deduction of operating and management fees.

#### □ **BENCHMARK:**

The daily capitalized EONIA (Overnight Indexed Swap or OIS method) is the reference index for the Fund. The EONIA ("European Overnight Index Average") corresponds to the average day-to-day rate in the Eurozone. It is calculated by the European Central Bank and published by the European Banking Federation at "[www.euribor.org](http://www.euribor.org)".

The GBP 1-month LIBOR (London Interbank Offered Rate) is the average interest rate at which a selection of large, London-based banks are prepared to lend to one another in British pounds 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).

The USD 1-month LIBOR (London Interbank Offered Rate) is the average interest rate at which a selection of large, London-based banks are prepared to lend to one another in US 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).

The CHF 1-month LIBOR (London Interbank Offered Rate) is the average interest rate at which a selection of large, London-based banks are prepared to lend to one another in Swiss francs 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).

The 1-month SIBOR (Singapore Interbank Offered Rate) is the average interest rate at which a selection of large, Singapore-based banks are prepared to lend 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).

Australian 30-day bank accepted bills are short-term negotiable instruments issued and guaranteed by Australian banks and used for financing operations in Australian dollars for a term of 1 month.

#### □ **INVESTMENT STRATEGY:**

##### **A) Description of the strategies employed**

The investment process implemented is focused on total return, combining strategic and tactical positions and arbitrages on global fixed income and currency markets.

The performance objective will be sought by complying with a maximum ex ante "Value at Risk" (VaR) of 20% for up to 20 days and with a confidence interval of 99%. The management of the Fund also aims to incur an average ex-post volatility of [7%; 12%] per annum.

The Fund's performance is more closely linked to relative market trends (relative value positions and arbitrages) than to the general direction of these markets (directional positions).

The risk level of the portfolio for each asset class (e.g. bonds) is determined on its own merits and its correlations with the other asset classes (currencies, credit). The exposure to different asset classes is therefore a consequence of these risk allocation decisions.

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

The overall modified duration of the portfolio will range from -8 to +8.

With respect to currencies strategies, the Fund's management incorporates an active currency component implemented across all geographical areas in the OECD and emerging foreign exchange markets. Currencies are used for diversification and hedging purposes, but they may also be used as a means to implement the Management Team's macro, top-down views. As a consequence, currencies strategies are considered as a genuine asset class, with an investment process comprising the following steps:

- First step: definition of the risk budget allocated to the USD currency bloc: the directional exposure to the USD bloc is equally weighted against three other currency blocs: the euro-bloc (European currencies), the commodity-currency-bloc (Canadian dollar (CAD), Australian dollar (AUD), New Zealand dollar (NZD), South African rand (ZAR)) and the yen-bloc (Japanese yen (JPY) and South Korean won (KRW));
- Second step: definition of the inter-bloc strategies: strategies between the three currency blocs, excluding the USD bloc, are defined below as, for example, overweighting of the euro compared to the Canadian dollar or the Japanese yen bloc;
- Third step: definition of the intra-bloc strategies: strategies within each of the above currency blocs, e.g. the Australian dollar and/or the New Zealand dollar against the Canadian dollar within the commodity-currency bloc;
- Fourth step: exposure to emerging currencies, such as the Malaysian ringgit.

##### **Investment in OECD government bonds:**

1. **Active management of the portfolio's exposure to global bond risk (in modified duration);**
2. **Allocation of portfolio 's modified duration** (positive or negative) as stipulated above among the **four main OECD government bond markets** (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 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, steepening or lateral shift strategies on these curves;
  4. **Selection of the issuing country** within the dollar zone (United States, Canada, Mexico, Australia and New Zealand) and the European zone (including EMU Member States, Norway, Sweden, Denmark, Iceland, Switzerland, Poland, Czech Republic and Hungary).

**Investment in OECD non-government bonds and non-OECD government and non-government bonds:**

1. **Active management of exposure to overall credit risk;**
2. **Allocation of the credit risk over the main segments of the credit market:** "Investment Grade", "Speculative Grade" debt, on the one hand, external and local debt of non-OECD countries, on the other hand;
3. **Selection of issuers** in each of these segments.

**Currency management:**

1. **Strategic exposure to the US dollar:** purchase or sale of the US dollar against all other currencies;
2. **Relative allocation between the three main currencies "blocs":** the European currency bloc (euro, pound sterling, Norwegian and Danish krone, Swedish and Icelandic krona, Swiss franc, Polish zloty, Czech koruna and Hungarian forint); the yen bloc (Japanese yen and South Korean won); the commodity-currency bloc (referring to currencies with an exchange rate correlated with the price of commodities: mainly Canadian dollar, Australian dollar, New Zealand dollar and South African rand);
3. **Allocation within each bloc** by purchasing and selling each of the currencies comprising the above blocs;
4. **Diversification among non-OECD markets currencies.**

The HGBP-I unit, denominated in GBP, is hedged against the EUR/GBP foreign exchange rate risk so as to limit the impact of the fluctuations in the EUR/GBP exchange rate on the Fund's performance. This unit therefore aims to achieve the best performance of the strategy during the investment term of the Fund by hedging against the EUR/GBP exchange rate risk, which could affect the net asset value.

The HCHF-I and HCHF-R units, denominated in CHF, are hedged against the EUR/CHF foreign exchange rate risk so as to limit the impact of the fluctuations in the EUR/CHF 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/CHF exchange rate risk, which could affect the net asset value.

The HUSD-I and HUSD-R units, denominated in USD, are hedged against the EUR/USD foreign exchange rate risk so as to limit the impact of the fluctuations in the EUR/USD 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/USD exchange rate risk, which could affect the net asset value.

The HSGD-I and HSGD-R units, denominated in SGD, are hedged against the EUR/SGD foreign exchange rate risk so as to limit the impact of the fluctuations in the EUR/SGD 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/SGD exchange rate risk, which could affect the net asset value.

The HAUD-I unit, denominated in AUD, is hedged for exchange rate risk to limit the impact of fluctuations in the EUR/AUD 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/AUD 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 investment objective**

### **1. Debt securities, similar securities and financial instruments:**

Modified duration range for interest rates	Between -8 and+8
Issuers' geographical region	All geographical regions
Base currency of securities	All currencies
Foreign exchange rate risk	Up to 500%

#### **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 **100% of the net assets in non-government bonds** issued by companies having their registered offices in an OECD country.

The management team relies on the appraisal of credit risk by its teams and its own methodology.

In addition to this appraisal, the relevant securities are subject to a minimum rating constraint corresponding to "investment grade" according to the Management Company's criteria at the time of purchase (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 rated by only two agencies, at least one of the two 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 selling 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 **40% of the assets in OECD corporate bonds rated speculative grade at the time of their acquisition, 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.

#### **Money market instruments:**

The Fund's cash position is managed through the purchase of money market instruments (treasury bills, annual interest treasury bills, short-term negotiable securities, Euro Commercial Paper and money market UCITS/AIF funds) and through 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	[-8; +8]
OECD government bonds	Maximum 100% of net assets
OECD non-government bonds rated investment grade at purchase	Maximum 100% 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 40% of net assets

## **2. Specific instruments**

### **2.1 Holding of shares or units of 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, particularly money market UCITS/AIFs:

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 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.

## 2.2 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 Fund's exposure to derivatives instruments will be managed in due observation of a maximum ex-ante "Value at Risk" (VaR) of 20% for up to 20 days and with a confidence interval of 99%. It will not exceed this maximum capacity.

**TABLE OF DERIVATIVES**

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

\* 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 request from 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.

### 2.3 Securities with embedded derivatives:

**TABLE OF SECURITIES WITH EMBEDDED DERIVATIVES**

Type of instrument used	RISK TYPE					OPERATION TYPE			
	Equity	Interest rate	Exchange rate	Credit	Other risk(s)	Hedging	Exposure	Arbitrage	Other(s)
<b>Warrants on</b>									
Equities									
Rate									
Exchange rates									
Indices									
<b>Subscription warrants</b>									
Equities									
Rate									
<b>Equity-linked products</b>									
<b>Convertible bonds</b>									
Exchangeable bonds									
Convertible bonds									
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 (please specify)</b>									

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

### 2-4 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.

## **2-5 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 purchase and sale of securities:**

The Fund may carry out temporary purchase and sales of securities (also called securities financing transactions) up to 50% of its 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 French Monetary and Financial Code.	X
Securities lending and borrowing in accordance with the French Monetary and Financial Code	X
Other	

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

Remuneration: further information is provided in the section on fees and commissions.

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.

## **2.8: 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 Monétaire 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 forth 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 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 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.

The net asset value is susceptible to wide fluctuations because of 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 that credit spreads may vary as a result of deterioration in the quality of the investment or default by one or more issuers within 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.

As a result of its investment strategy, the Fund is subject to significant credit risk. 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.

**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.

For H-I units, denominated in GBP, the EUR/GBP exchange rate risk is hedged in order to minimise the impact of variations in the pound sterling (GBP) against the euro for unitholders whose investment is carried out in GBP.

For HUSD-R and HUSD-I units, denominated in USD, the EUR/USD exchange rate risk is hedged in order to minimise the impact of variations in the US dollar (USD) against the euro for unitholders whose investment is carried out in USD.

For HSGD-R and HSGD-I units, denominated in SGD, the EUR/SGD exchange rate risk is hedged in order to minimise the impact of variations in the Singapore dollar (SGD) against the euro for unitholders whose investment is carried out in SGD.

For HCHF-R and HCHF-I units, denominated in CHF, the EUR/CHF exchange rate risk is hedged in order to minimise the impact of variations in the Swiss franc (CHF) against the euro for unitholders whose investment is carried out in CHF.

For the HAUD-I unit, denominated in AUD, the EUR/AUD exchange rate risk is hedged in order to minimise the impact of variations in the Australian dollar (AUD) against the euro for unitholders whose investment is carried out in AUD.

**Overexposure risk:** As part of the method used to calculate commitment, risk budgets are determined for the various strategies. The Fund 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 temporary purchases and sales of securities and the management of collateral:** Temporary purchases and sales of securities and the management of related collateral can generate risks for the Fund such as (i) 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 Fund may not be available for restitution to the counterparty for collateral received in securities or may not enable the Fund to reimburse the counterparty for collateral received in cash).

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

R, I, M, HUSD-R, HSGD-R, HCHF-R, HGBP-I, HUSD-I, HSGD-I, HCHF-I and HAUD-I units are aimed at all subscribers. R shares are primarily aimed at private individuals. I and H-I shares 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 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 who wish to diversify their investments on interest rate and currency markets.

Minimum recommended investment period: 3 to 4 years.

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

A reasonable amount to invest in the Fund depends on the amount of risk the investor is willing to take on. 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 implies 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.

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

**PROCEDURES FOR DETERMINING AND ALLOCATING DISTRIBUTABLE SUMS**

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

M (D) units are distribution units. The net income is distributed in the form of an annual dividend paid within five months of the year-end date.

Net realized capital gains are capitalised.

□ **UNIT FEATURES:**

	ISIN code	Base currency	Unit division	Minimum initial subscription	Minimum subsequent subscription
R (C) units	FR0011015460	EUR	Ten-thousandths	EUR 10,000	One ten-thousandth of a unit
HUSD-R (C) units	FR0011973627	USD	Ten-thousandths	USD 10,000	One ten-thousandth of a unit
HSGD-R (C) units	FR0011973601	SGD	Ten-thousandths	SGD 10,000	One ten-thousandth of a unit
HCHF-R (C) units	FR0011973585	CHF	Ten-thousandths	CHF 10,000	One ten-thousandth of a unit



I (C) units	FR0011006188	EUR	Ten-thousandths	EUR 100,000	One ten-thousandth of a unit
HGBP-I (C) units	FR0011192327	GBP	Ten-thousandths	GBP 1,000,000	One ten-thousandth of a unit
HUSD-I (C) units	FR0011973635	USD	Ten-thousandths	USD 100,000	One ten-thousandth of a unit
HSGD-I (C) units	FR0011973619	SGD	Ten-thousandths	SGD 100,000	One ten-thousandth of a unit
HCHF-I (C) units	FR0012518389	CHF	Ten-thousandths	CHF 100,000	One ten-thousandth of a unit
HAUD-I (C) units	FR0013186632	AUD	Ten-thousandths	AUD 150,000	One ten-thousandth of a unit
M (D) units	FR0013076973	EUR	Ten-thousandths	EUR 10,000	One ten-thousandth of a unit
N (C) units	FR0013186673	EUR	Ten-thousandths	EUR 10,000	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:

<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	<u><b>N units: none</b></u>  <u><b>R, HUSD-R, HCHF- R and HSGD-R</b></u> <u><b>units</b></u> 2% maximum  <u><b>I, HUSD-I, HSGD-I, HCHF-I and HAUD-I</b></u> <u><b>units</b></u> 1% maximum  <u><b>HGBP-I unit</b></u> <u><b>5% maximum</b></u>  <u><b>M unit</b></u> 5%
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 payable to the Management Company;
- Maximum indirect charges (commissions and management fees) for UCITS that invest over 20% in other UCITS/AIFs or investment funds;
- Transaction fees;
- Outperformance fees.

<b>Fees charged to the UCITS:</b>	<b>Basis</b>	<b>Fee schedule</b>
Management fees	Net assets	<b>R, HSGD-R, HUSD-R and HCHF-R units</b> Maximum 1.20% incl. tax
Administrative fees not related to the management company	Net assets	<b>N units</b> Maximum 0.80% incl. tax <b>I, HSGD-I and HUSD-I, HCHF-I and HAUD-I units</b> Maximum 0.70% incl. tax <b>HGBP-I units</b> Maximum 0.75% incl. tax <b>M units</b> Maximum 0.10% incl. tax
Transaction fees	Deducted from each transaction or operation allocated proportionally between all providers	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	<b>R, I, HSGD-R, HSGD-I, HUSD-R, HUSD-I, HCHF-R, HCHF-I, HAUD-I and N units:</b> 20%, including tax, of the outperformance relative to the index shown below <b>HGBP-I and M units:</b> None

The outperformance 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 share 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 performance of the benchmark index (i.e. the reference rate) of the Fund.

For R, I and N units

The reference rate is the daily compounded EONIA. The Fund's performance is calculated according to changes in the unit's net asset value.

For HUSD-I and HUSD-R units

The reference rate is equal to the USD 1-month LIBOR. The Fund's performance is calculated according to changes in the unit's net asset value.

For HSGD-I and HSGD-R units

The reference rate is equal to the 1-month SIBOR. The Fund's performance is calculated according to changes in the unit's net asset value.

For HCHF-I and HCHF-R units

The reference rate is equal to the CHF 1-month LIBOR. The Fund's performance is calculated on the basis of changes in the net asset value of the unit class.

#### For HAUD-I units

The benchmark rate is equal to that of Australian 30-day bank accepted bills. The Fund's performance is calculated on the basis of the net asset value of each share class.

The observation period for R and I units is defined as follows:

- Initial observation period: from 16 March 2011 to the last trading day of June 2012;
- Subsequent observation periods: from the first trading day of July to the last trading day of June of the following year.

For HUSD-R, HSGD-R, HCHF-R, HSGD-I and HUSD-I units:

- Initial observation period: from 20 June 2014 to the final trading day of June 2015;
- Subsequent observation periods: from the first trading day of July to the final trading day of June of the following year.

For HCHF-I units:

- Initial observation period: from 22 April 2015 to the final trading day of June 2016;
- Subsequent observation periods: from the first trading day in July to the final trading day of June of the following year.

For HAUD-I and N units:

- Initial observation period: from 10 October 2016 to the final trading day of June 2017;
- Subsequent observation periods: from the first trading day of July to the final trading day of June of the following year.

At the beginning of each observation period, the reference asset used will be the greater of the assets recorded on 16 March 2011 for R(C) and I(C) units, on 20 June 2014 for HUSD-R, HSGD-R, HCHF-R, HSGD-I and HUSD-I units, on 22 April 2015 for HCHF-I units and on 10 October 2016 for HAUD-I and N units and all the valued assets recorded on the final day of each of the observation periods established since the launch 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 be up to 20% 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 is higher than 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.

#### **Further information concerning the distribution of income from 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 working 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 at Natixis branches and online from "[www.nam.natixis.com](http://www.nam.natixis.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.

## **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 leverage of the Fund is 3/4. However, the Fund may reach a higher leverage level. The indicative level of the leverage effect for the Fund is calculated as the sum of the nominal positions on all financial contracts that are used.

## VI ASSET VALUATION AND ACCOUNTING RULES

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

#### **I - Securities portfolio**

The management company has delegated accounting management (including the 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:

#### **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 retrieved 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, for which the price has not yet been recorded on the valuation date or has been adjusted, are valued at their expected trading value by the Management Company.

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 their equivalent values 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 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 3 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 3 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.

## **6 Swing pricing mechanism of net asset value with trigger threshold (from 20 June 2017)**

The management company has implemented a method of adjusting the net asset value (NAV) with a trigger threshold.

Dealing costs are incurred by investors who take out or purchase their shares, 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, by percentage, 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.