UCITS governed by European Directive 2009/65/EC

H2O VIVACE FCP

PROSPECTUS

DATED 31 DECEMBER 2020

I GENERAL FEATURES

- ***NAME:* H2O VIVACE FCP**

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

- ***LEGAL FORM AND MEMBER STATE IN WHICH THE UCITS WAS ESTABLISHED:***

French mutual fund.

- ***INCEPTION DATE AND EXPECTED DURATION:***

The Fund was created on 25 September 2020 for 99 years, as part of a split pursuant to Article L.214-8-7 of the French Monetary and Financial Code.

- ***DATE OF AMF APPROVAL:***

The Fund was approved by the *Autorité des marchés financiers* (AMF), the French financial markets authority, on 15 September 2020.

- ***SUMMARY OF THE MANAGEMENT OFFERING:***

Unit classes	Target subscribers	Minimum initial subscription	Minimum subsequent subscription	ISIN code	Allocation of distributable income	Base currency	Initial net asset value
R (C) units	All subscribers, although private individuals in particular	EUR 20,000	1 ten-thousandth of a unit	FR0011015478	Accumulation	EUR	Estimated value at the date of the split
HCHF-R (C)* units	All subscribers, although private individuals in particular	CHF 20,000	1 ten-thousandth of a unit	FR0011978279	Accumulation	CHF	Estimated value at the date of the split
HSGD-R (C)** units	All subscribers, although private individuals in particular	SGD 20,000	1 ten-thousandth of a unit	FR0012497972	Accumulation	SGD	Estimated value at the date of the split
HUSD-R (C)*** units	All subscribers, although private individuals in particular	USD 20,000	1 ten-thousandth of a unit	FR0012497980	Accumulation	USD	Estimated value at the date of the split
I (C) units	All subscribers, although institutional investors in particular	EUR 100,000	1 ten-thousandth of a unit	FR0011006220	Accumulation	EUR	Estimated value at the date of the split

HCHF-I (C)* units	All subscribers, although institutional investors in particular	CHF 100,000	1 ten-thousandth of a unit	FR0011978295	Accumulation	CHF	Estimated value at the date of the split
HUSD-I (C)*** units	All subscribers, although institutional investors in particular	USD 100,000	1 ten-thousandth of a unit	FR0012498004	Accumulation	USD	Estimated value at the date of the split
Q (C) units	Subscriptions in this unit are reserved to employees of the H2O AM Group	1 ten-thousandth of a unit	1 ten-thousandth of a unit	FR0013426723	Accumulation	EUR	Estimated value at the date of the split
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	EUR 20,000	1 ten-thousandth of a unit	FR0013185246	Accumulation	EUR	Estimated value at the date of the split

*Unit systematically hedged against EUR/CHF exchange rate risk
** Unit systematically hedged against EUR/SGD exchange rate risk
*** Unit systematically hedged against EUR/USD exchange rate risk
**** Unit systematically hedged against EUR/AUD exchange rate risk

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

The latest annual report and asset composition details will be sent to the holder within eight working days of receipt of a written request addressed to:
H2O AM EUROPE
39 Avenue Pierre 1er de Serbie
75008 Paris, France
E-mail: info@h2o-am.com

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

- ***INFORMATION FOR PROFESSIONAL INVESTORS:***

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

1 Directory

- ***MANAGEMENT COMPANY:***

H2O AM EUROPE
Legal form: Société anonyme par actions simplifiée [simplified joint stock company]
Authorised by the Autorité des Marchés Financiers (AMF), the French Financial Markets Authority, under number GP-19000011
39 Avenue Pierre 1er de Serbie
75008 Paris, France

- ***DEPOSITARY, CUSTODIAN:***

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

The functions of depositary and custodian of the UCITS' assets are performed by CACEIS Bank.

- ***CLEARING HOUSE:***

Corporate or 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
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 liability accounting of the UCITS 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:***

CABINET KPMG AUDIT
Represented by Ms Isabelle Bousquié
Tour EQUO – 2, rue Gambetta CS60055
92066 Paris La Défense Cedex, France

- ***MARKETING AGENTS:***

H2O AM EUROPE
39 Avenue Pierre 1er de Serbie
75008 Paris, France

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.

The marketing agent 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 company.

- ***REPRESENTATIVES:***

Delegated accounting functions:
Corporate or company name: CACEIS Fund Administration, which provides the Fund's accounting management and valuation on behalf of H2O AM EUROPE
Registered office: 1-3 place Valhubert, 75013 Paris, France
Postal address: 1-3 place Valhubert, 75206 Paris Cedex 13, France
Nationality: French

Delegation of financial management:

Company name: H2O AM LLP

Legal form: Limited Liability Partnership under English law, authorised by the Financial Conduct Authority of the United Kingdom under number 529105
Registered office: 10 Old Burlington Street, London W1S 3AG, United Kingdom

The delegation of financial management covers all aspects of the financial management with the exception of opportunities for share volatility.

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

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.
Unitholders may be informed about changes affecting the Fund by any means that conform to AMF guidelines. Management of the Fund, which has no corporate personality and for which the rules concerning undivided ownership and companies have been waived, is carried out by the Management Company acting on behalf of the unitholders and in their exclusive interest.

- ***ENTRY IN A REGISTER, OR ESTABLISHMENT OF PROCEDURES FOR LIABILITY ACCOUNTING:***

Liability accounting is handled by CACEIS Bank.
The units are administered by Euroclear France.

- ***VOTING RIGHTS:***

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

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

Type of units: bearer

- ***DIVISION OF UNITS:***

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

- ***FINANCIAL YEAR END:***

Last trading day in June.
The first financial year ended on the last trading day of June 2021.

- ***INFORMATION ON THE TAXATION SYSTEM:***

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

2 Specific provisions

- ***ISIN CODES:***

Units	ISIN codes
I (C) units	FR0011006220
HCHF-I (C) units	FR0011978295
HUSD-I (C) units	FR0012498004
R (C) units	FR0011015478
HCHF-R (C) units	FR0011978279
HSGD-R (C) units	FR0012497972
HUSD-R (C) units	FR0012497980
Q (C) units	FR0013426723
N (C) units	FR0013185246

- ***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.

- ***MANAGEMENT OBJECTIVE:***

For R and I units:

The Fund's objective is to outperform the daily compounded Eonia rate by 3.4% per annum for R units and by 4% per annum for I units, by applying a management style that will establish strategic and tactical positions, as well as arbitrages on all equity, interest rate and international currency markets, over the minimum recommended term of investment after the deduction of operating and management fees.

For HCHF-R and HCHF-I units:

The management objective is to outperform the CHF 1-month LIBOR (London Interbank Offered Rate) by 3.4% per annum for R units and by 4% per annum for I units by applying a management style that will establish strategic and tactical positions, as well as arbitrages on all equity, interest rate and international currency markets, over its minimum recommended term of investment after the deduction of operating and management fees.

For the HSGD-R unit:

The management objective is to outperform the 1-month SIBOR (Singapore Interbank Offered Rate) by 3.4% per annum by applying a management style that will establish strategic and tactical positions, as well as arbitrages on all equity, interest rate and international currency markets, over its minimum recommended term of investment after the deduction of operating and management fees.

For HUSD-R and HUSD-I units:

The management objective is to outperform the USD 1-month LIBOR (London Interbank Offered Rate) by 3.4% per annum for R units and by 4% per annum for I units by applying a management style that will establish strategic and tactical positions, as well as arbitrages on all equity, interest rate and international currency markets, over its minimum recommended term of investment after the deduction of operating and management fees.

For Q units:

The Fund's objective is to outperform the daily compounded EONIA by 4.9% per year, by applying a management style that will establish strategic and tactical positions, as well as arbitrages on all equity, interest rate and international currency markets, over its minimum recommended term of investment after the deduction of operating and management fees.

For N units:

The management objective is to outperform the daily compounded EONIA rate by 3.9% by applying a management style that will establish strategic and tactical positions, as well as arbitrages on all equity, interest rate and international currency markets, on its minimum recommended term of investment after the deduction of operating and management fees.

- ***BENCHMARK:***

For R, Q, N and I units:

The daily compounded EONIA rate (Overnight Indexed Swap or OIS method) is the benchmark. 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 Money Markets Institute at www.emmi-benchmarks.eu.
The benchmark index administrator is listed in the register of administrators and benchmark indices held by ESMA.

For HCHF-R and HCHF-I units:

The CHF 1-month LIBOR (London Interbank Offered Rate) interest rate is the average rate at which a selection of large London-based banks agree loans in Swiss francs for a term of one month. It is calculated every working day and published by ICE Benchmark Administration Limited.
The administrator of the benchmark index is recorded on the register of administrators and benchmark indices held by ESMA.

For HUSD-R and HUSD-I units:

The USD 1-month LIBOR (London Interbank Offered Rate) interest rate is the average rate at which a selection of large London-based banks agree loans in US dollars for a term of one month. It is calculated every working day and published by ICE Benchmark Administration Limited.

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

For HSGD-R units

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 by Refinitiv and published by ABS Benchmarks Administration Co Pte Ltd. Information is available at: https://www.abs.org.sg/rates-sibor.

As of the date of this prospectus update, the administrator of the benchmark index, ABS Benchmarks Administration Co Pte Ltd, is not yet recorded on the register of administrators and benchmark indices held by ESMA.

- ***INVESTMENT STRATEGY:***

A) Description of the strategies used

The management style implemented is focused on absolute performance, combining strategic and tactical positions and arbitrages on all interest rate, equity and international currency markets.

This performance objective will be achieved by respecting a maximum ex ante "Value at Risk" (VaR) of 20% over 20 days, with a confidence interval of 99%. The management also seeks a target ex post average annual volatility of [15%; 25%] per annum.

The Fund's performance is more closely linked to relative market trends (relative and arbitrage positions) 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 in respect of its own merits and its correlations with the other asset classes (currency and credit). Exposure to different types of assets is therefore a consequence of these risk allocation choices.

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

The overall modified duration of the portfolio will range from -16 to +16.

Management of OECD government bonds:

1. **Active management of** the portfolio's **exposure to global bond risk (modified duration)**;
2. **Allocation of the** 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, restructuring 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 eurozone (EMU Member States, Norway, Sweden, Denmark, Iceland, Switzerland, Poland, Czech Republic and Hungary).

Management of 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" and "Speculative Grade" debt, on the one hand, external and local debt of non-OECD countries, on the other;
3. **Selection of issuers** in each of these segments.

Currency management:

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

The

- HCHF-I and HCHF-R units, denominated in CHF,
- HSGD-R denominated in SGD,
- HUSD-R and HUSD-I denominated in USD.

are hedged against exchange rate risk to limit the impact of fluctuations in the EUR/relevant unit currency exchange rate on the Fund's performance.
These units therefore aim to achieve the best performance of the strategy during the investment term of the Fund by hedging against the EUR/relevant unit currency exchange rate risk, which could affect the net asset value.

Equity management:

1. **Active management of exposure to the asset class** within a range of [-60%; +60%] of the net assets in accordance with the bullish or bearish expectations of the investment team;
2. **Positive or negative allocation of this exposure among geographic regions**, in accordance with the relative performance expectations of the investment team;
3. **Positive or negative sector allocation**, in accordance with the relative performance expectations of the investment team;
4. **Selection of securities in the various sectors**, through the sale or purchase of equities.

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

B) Description of asset classes and forward financial instruments in which the Fund intends to invest, and their contribution to achieving the management objective.

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 **100% of the net assets in non-government bonds** issued by companies with 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 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 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 disposing of them, while maintaining as its principal criterion the interests of the unitholders.

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

    The 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.

    The Fund may, however, continue to hold ABSs and MBSs for which the initial rating has subsequently been downgraded, subject to a minimum rating of A/A2 by Standard & Poor's, Fitch Ratings or Moody's or an equivalent rating in accordance with the Management Company's analysis.

    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.

- up to **60% 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 20% of the assets in convertible or exchangeable bonds.
- up to 10% of the assets in contingent convertible bonds.

Money market instruments:

The Fund's cash position is managed through the acquisition of money market instruments (treasury bills, annual interest treasury bills, short-term negotiable securities, Euro Commercial Paper and money market UCIs) and the agreement of repurchase agreements and deposits.

Equities:

All equities and similar instruments or rights attached to the ownership of these equities, on developed and emerging markets, to a total exposure limit of 60% of the net assets.
The Fund reserves the right to invest on an ancillary basis in equities that are not included in the MSCI World All Countries Index

Currencies:

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

Recap of the main limits for investment in bonds *(ratings applicable at time of purchase)*, equities and currencies	
Overall modified duration range	[-16; +16]
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) rated at least AA/Aa2	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 60% of net assets
Equities on developed and emerging markets	Exposure between [-60%; +60%] of net assets
of which equities not included in the MSCI World All Countries Index	Maximum 10% of net assets

2. Specific instruments

2.1. Holding 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/AIF/Investment funds, particularly money market UCITS/AIF/Investment funds:

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

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

The Fund’s exposure to financial futures will be managed in due observation of a maximum ex-ante “Value at Risk” (VaR) of 20% over 20 days, with a confidence interval of 99%. It will not exceed this maximum capacity.

The table below details the Fund’s operating conditions regarding derivatives.

TABLE OF DERIVATIVES

	MARKET TYPE			RISK TYPE					OPERATION TYPE			
	*Admission to regulated markets**	*Organised markets*	*OTC markets*	*Equities*	*Interest rate*	*Exchange rate*	*Credit*	*Other risk(s)*	*Hedging*	*Exposure*	*Arbitrage*	*Other(s)*
Futures on												
Equities	X	X		X					X	X	X	
Interest rates	X	X			X				X	X	X	
Exchange rates	X	X				X			X	X	X	
Indices	X	X		X	X		X		X	X	X	
Options on												
Equities	X	X	X	X				X	X	X	X	
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	X	
Swaps												
Equities			X	X				X	X	X	X	
Interest rates			X		X			X	X	X	X	
Exchange rates			X			X		X	X			
Indices			X	X	X	X	X	X	X	X	X	
Forex forward												
Currency			X			X		X	X	X	X	
Credit derivatives												
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.

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

The maximum proportion of assets under management that may be used for TRS is 50% of the net assets. Under normal market conditions, the Management Company expects such transactions to involve up to 25% of the Fund's assets.

The counterparties to total return swaps are credit institutions or other entities that meet the criteria set out in the French Monetary and Financial Code and selected by the Management Company in accordance with the counterparty selection procedure available on the Management Company's website at the following address: www.h2o-am.com.

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

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

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

The Fund may also make use of CFDs. CFDs (Contracts for Differences) are derivative instruments that generally have underlying equities. They operate in a similar way to an open-ended equity swap. They allow positions to be taken up without directly investing in the underlying equities. The purpose of CFDs agreed by the Fund is to take long or short positions as part of the equity arbitrage strategy. In exchange for a variable rate payment, they offer performance and a portion of the income from the underlying equities.

2.2a: Information relating to OTC financial agreements

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

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

2.3. Securities with embedded derivatives

The Fund may also invest in securities with embedded derivatives, namely, equity warrants, callable and puttable interest rate products and convertible and exchangeable bonds.

The use of securities with embedded derivatives aims to achieve the Fund’s investment objective in the same way as with derivatives.

TABLE OF SECURITIES WITH EMBEDDED DERIVATIVES

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

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

2.4. Deposits

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

2.5. Liquid assets

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

2.6. Cash borrowings

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

2.7. Temporary purchases and sales of securities

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

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

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

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

The assets that may be subject to such transactions will be the assets described in the chapter “Description of asset classes” of this prospectus.

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

The purpose of using temporary sales of securities is to obtain an additional return for the UCITS and therefore to contribute to its performance. Furthermore, the UCITS may make repurchase agreements as part of the reinvestment of cash collateral and/or reverse repurchases to meet liquidity needs.

Temporary purchases and sales of securities will be guaranteed pursuant to the principles set out under “Contracts constituting collateral” below.

2.8. Contracts constituting collateral

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

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

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

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

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

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

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

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

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

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

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

- ***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 issuer or a default by one or more issuers present in the portfolio. Depending on the direction of the transactions of the UCITS, i.e. a decrease (in the event of a purchase) or an increase (in the event of a sale) in the value of the debt securities to which the UCITS is exposed, the Fund may fall, leading to a decrease in its net asset value.

Under deteriorated market conditions, their valuation may fluctuate significantly and have a negative impact on the net asset value.
This risk may be intensified by a lack of liquidity on the market for all bonds, particularly speculative bonds (rated speculative grade).

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

Interest rate risk: this is the risk of a fall in the value of interest rate instruments owing 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%. Conversely, if the Fund has a modified duration to interest rates close to -2, a 1% rise in real rates will cause the Fund’s net asset value to rise by 2%, while a 1% fall in real rates will cause the Fund’s net asset value to fall by 2%.

Equity risk: this is the risk of a fall in equities and/or indices linked to the investment and/or to the portfolio’s exposure to equities or to indices.
The materialisation of this risk may lead to a fall in the Fund’s net asset value.

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

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

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

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

For the

- HCHF-I and HCHF-R units, denominated in CHF,
- HSGD-R denominated in SGD,
- HUSD-R and HUSD-I denominated in USD,

the euro exchange rate risk is hedged in order to minimise the impact of variations in the relevant unit currency against the euro for unitholders whose investment is made in this currency.

Risk of overexposure: 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 risk budgets defined in the investment strategy. The level of exposure depends in particular 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.

Risk associated with temporary purchases and sales of securities, total return swaps (TRS) and the management of collateral: Temporary purchases and sales of securities and total return swaps (TRS) are likely to create risks for the Fund, such as the counterparty risk defined above. The management of collateral may create risks for the Fund, such as liquidity risk (i.e. the risk that a security received as collateral is not sufficiently liquid and cannot be sold quickly in the event that the counterparty defaults), and, where applicable, risks related to the reuse of cash collateral (i.e. primarily the risk that the Fund cannot reimburse the counterparty).

Risk associated with investments in 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, HCHF-R, HSGD-R, HUSD-R, I, HCHF-I and HUSD-I units are aimed at all subscribers. R, HCHF-R, HSGD-R and HUSD-R units are primarily aimed at private individuals. I, HCHF-I and HUSD-I units are primarily aimed at institutional investors. The N unit is primarily aimed at private individuals who invest through distributors, financial advisers, platforms or other intermediaries.
The Q unit is reserved for employees of the H2O AM Group.

The Fund is aimed at investors who wish to diversify their investments on equity, interest rate and currency markets.

Minimum recommended investment period: 4 to 5 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 reasonable to invest in the Fund depends on the amount of risk the investor is willing to take. This amount also depends on the holder's personal profile, particularly their financial situation and the current composition of their financial assets. ***Building and holding a financial asset portfolio implies a diversification of investments*.**
It is also recommended that anyone wishing to subscribe to shares in the Fund contact their usual advisor 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 Fund.

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

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

- ***UNIT FEATURES:***

Unit categories	ISIN code	Base currency	Unit division	Minimum initial subscription	Minimum subsequent subscription
R (C) units	FR0011015478	EUR	Ten-thousandths	EUR 20,000	1 ten-thousandth of a unit
HCHF-R (C) units	FR0011978279	CHF	Ten-thousandths	CHF 20,000	1 ten-thousandth of a unit
HSGD-R (C) units	FR0012497972	SGD	Ten-thousandths	SGD 20,000	1 ten-thousandth of a unit
HUSD-R (C) units	FR0012497980	USD	Ten-thousandths	USD 20,000	1 ten-thousandth of a unit
I (C) units	FR0011006220	EUR	Ten-thousandths	EUR 100,000	1 ten-thousandth of a unit
HCHF-I (C) units	FR0011978295	CHF	Ten-thousandths	CHF 100,000	1 ten-thousandth of a unit
HUSD-I (C) units	FR0012498004	USD	Ten-thousandths	USD 100,000	1 ten-thousandth of a unit
Q (C) units	FR0013426723	EUR	Ten-thousandths	EUR 20,000	1 ten-thousandth of a unit

N (C) units	FR0013185246	EUR	Ten-thousandths	EUR 20,000	1 ten-thousandth of a unit

- ***SUBSCRIPTION AND REDEMPTION PROCEDURES:***

Subscription and redemption orders are cleared on each net asset value calculation day (D) at 12:30 p.m. Orders 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.

For EUR and GBP currencies, orders are executed in accordance with the table below:

D business day	D business day	D: NAV calculation day	D+1 business day	D+1 business day	D+1 business day
Clearing of subscription orders before 12:30 p.m. CET[1]	Clearing of redemption orders before 12:30 p.m. CET[1]	Execution of the order on D at the latest	Publication of the net asset value	Settlement of subscriptions[1]	Settlement of redemptions[1]

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

For other currencies, orders are executed in accordance with the table below:

D business day	D business day	D: NAV calculation day	D+1 business day	D+3 business day	D+3 business day
Clearing of subscription orders before 12:30 p.m. CET[1]	Clearing of redemption orders before 12:30 p.m. CET[1]	Execution of the order on D at the latest	Publication of the net asset value	Settlement of subscriptions[1]	Settlement of redemptions[1]

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

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

The first net asset value will be established on 14 October 2020.

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

The net asset value may be obtained from the Management Company:
H2O AM EUROPE
39 Avenue Pierre 1er de Serbie
75008 Paris, France

Website: www.h2o-am.com

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

- ***FEES AND COMMISSIONS:***

Subscription and redemption fees:

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, Promoter etc.

Fees charged to the investor, payable at the time of subscription or redemption	**Basis**	**Interest rates scale**
Maximum subscription fee not payable to the UCITS	net asset value X number of units	**R, HCHF-R, HSGD-R and HUSD-R units:** 2% maximum **I, HCHF-I and HUSD-I units:** 1% maximum **N and Q units:** None
Subscription fee payable to the Management Company	net asset value X number of units	**R, HCHF-R, HSGD-R, HUSD-R, I, HCHF-I, HUSD-I and N units:** 5% **Q unit:** 10% maximum rate
Subscription fee payable to the UCITS	net asset value X number of units	None
Maximum redemption fee not payable to the UCITS	net asset value X number of units	None
Redemption fee payable to the UCITS	net asset value X number of units	None

Fees charged to the UCITS:

These charges cover:

- Financial management fees;
- Administrative fees not related to the Management Company;
- Maximum indirect costs (management fees and charges): for UCITS that invest over 20% in French or foreign UCITS, French AIFs or AIFs established in another Member State of the European Union, or investment funds established under foreign law,
- Transfer fees;
- Outperformance fees.

Charges taken from the UCITS	Basis	Interest rates scale
Financial management fees	Net assets	**R, HCHF-R, HSGD-R and HUSD-R units:** Maximum rate of 1.60% incl. tax **N unit:** Maximum rate of 1.10% incl. tax **I, HCHF-I, and HUSD-I units:** Maximum rate of 1% incl. tax **Q unit:** Maximum rate of 0.10% incl. tax
Administrative fees not related to the management company	Net assets	
Outperformance fee	Positive difference between valued asset and reference asset	25%, including tax, of the outperformance with respect to the benchmark shown below Q unit: None
Transfer fees	Deducted from each transaction or operation in line with the allocation key between providers	0.02% maximum per month on instruments and EUR 400 maximum per month to manage over-the-counter transactions

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

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 share class.

The Fund's **reference assets** are the portion of the assets corresponding to a specific share class, adjusted to take into account the subscription/redemption amounts applicable to this share class at each valuation, and valued in accordance with the performance of the benchmark index (i.e. the reference rate) corresponding to said share class.

The reference rate for units denominated in EUR is equal to:
- compounded EONIA rate + 3.4% for R units
- compounded EONIA rate + 4% for I units
- compounded EONIA rate + 3.9% for N units

The Mutual Fund's performance is calculated on the basis of changes in the net asset value of each class of units.

The reference rate for units denominated in CHF is equal to:
- 1-month CHF Libor + 3.4% for R units
- 1-month CHF Libor + 4% for I units

The Mutual Fund's performance is calculated on the basis of changes in the net asset value of each class of units.

The reference rate for units denominated in SGD is equal to:
- SIBOR 1 month + 3.4% for R units

The Mutual Fund's performance is calculated on the basis of changes in the net asset value of each class of units.

The reference rate for units denominated in USD is equal to:
- 1-month Libor USD + 3.4% for R units
- 1-month Libor USD + 4% for I units

The Mutual Fund's performance is calculated on the basis of changes in the net asset value of each class of units.

The observation period is defined as follows:

- Initial observation period from 25 September 2020 to the last trading day of June 2022;
- For the following 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 higher of the asset value recorded on 25 September 2020 and all the valued assets recorded on the final day of each of the observation periods since the creation of the fund. Since the UCITS is the result of a split pursuant to Article L.214-8-7 of the French Monetary and Financial Code, the asset recorded on 25 September 2020 will be the higher of the assets recorded on the day of the split and the reference asset from the H2O VIVACE split fund, from which the assets retained by the H2O VIVACE SP ex H2O VIVACE fund have been deducted in due proportion.

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

If, during the observation period, the Fund's valued asset is higher than 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 variable management fee provision 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 calculation.
In the event of redemption, the portion of the provision corresponding to the number of units redeemed will be definitively payable to the Management Company.

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

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

Brief description of the selection procedure for intermediaries:

A selection and assessment procedure for intermediaries, which takes into account such objective criteria as research, commercial monitoring and execution quality, has been implemented by the Management Company. This procedure is available on the H2O AM EUROPE website, at 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 EUROPE
39 Avenue Pierre 1er de Serbie
75008 Paris, France

or are available at the following email address: info@h2o-am.com

The documents will be sent to unitholders within eight working days.

• These documents are also available at "www.h2o-am.com"

• Further information can be obtained from the marketing agents' branches.

INFORMATION ON THE NET ASSET VALUE

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

COMMERCIAL DOCUMENTATION

Sales documentation is available to the Fund's unitholders and subscribers online from "www.h2o-am.com" or "www.im.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 laid down by the AMF.
If applicable, this information may be provided by Euroclear France and its associated financial intermediaries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CRITERIA:

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

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 Value-at-Risk method.

The indicative average level of the leverage effect for the UCITS is 20. However, the UCITS may possibly reach a higher leverage level. The UCITS' indicative leverage level is calculated as the sum of the nominal positions on the financial contracts that are used.

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 the closing of the accounts, at the closing price.

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

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

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

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

Bonds
Bonds are valued on the basis of a Bloomberg composite rating 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, the price of which has not been recorded on the valuation date or has been adjusted, are valued by the Management Company at their expected trading value.

In the case of unlisted transferable securities or those for which a price is not listed on the valuation date, as well as other items on the balance sheet, the Management Company adjusts its valuation on the basis of variations that seem likely in view of current events. The statutory auditor is informed of these valuations and any justifications during their audit.
Foreign securities are converted into the equivalent value in euros in accordance with the WMR rate on the day of valuation.

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

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

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

In the absence of an indisputable market price, transferable debt securities are valued by applying a yield curve, adjusted, if necessary, by a margin calculated on the basis of the characteristics of the security (of the issuer).
However, transferable debt securities with a residual maturity of three months or less are valued via the straight-line method.

Temporary purchases and sales of securities
Contracts for temporary purchases and sales of transferable securities and equivalent transactions are valued at the contract rate, adjusted for any margin calls (valued in accordance with the conditions set out in the contract).
In the case of transferable securities that are unlisted or whose price has not been listed on the valuation date, as well as other items on the balance sheet, the Management Company’s board of directors adjusts its valuation on the basis of variations that seem likely in view of current events.

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

II - Futures and options transactions

Organised futures and options markets
Derivatives listed on an organised market are valued on the basis of 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.

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

III - Off-balance-sheet commitments

Off-balance sheet commitments are valued as follows:
A) Commitments on futures markets:

1) Futures:

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

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

<u>2) Swap commitments:</u>

a) Interest rate swaps

 interest rate swaps with a maturity of three months or less

<u>backed:</u> nominal value + accrued interest (interest differential)

<u>non-backed:</u> nominal value + accrued interest (interest differential)

 interest rate swaps with a maturity exceeding three months

<u>backed:</u>

° 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

<u>non-backed:</u>

° 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.

<u>B) Commitments on options markets:</u>

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

<u>IV - Currencies</u>

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.

<u>V - Unlisted financial instruments and other securities</u>

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

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

⇒ **Swing pricing mechanism of net asset value with trigger threshold**

From the Fund’s creation, 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.

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