

# Nomura Real Protect Fonds

German UCITS Investment Fund

Prospectus and Terms and Conditions of Investment

As at: January 2018

# Prospectus Nomura Real Protect Fonds

## Company information

### Company:

**Nomura Asset Management  
Germany KAG mbH**

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60487 Frankfurt am Main  
Phone +49 (0)69 153093 020  
Fax +49 (0)69 153093 900

Email: [info@nomura-asset.de](mailto:info@nomura-asset.de)  
Website [www.nomura-asset.de](http://www.nomura-asset.de)

**Date of foundation:** 25.08.1988  
**Commercial Register** Frankfurt am  
Main HRB 29391

### Shareholder:

Nomura Asset Management Co.  
Ltd., Tokyo (100%)  
1-12-1 Nihonbashi, Chuo-ku,  
Tokyo 103-8260 Japan

### Supervisory Board:

**Richard Bisson,**  
Chairman,  
President of Nomura Asset  
Management U.K. Limited

**Walter Heindl,**  
Deputy Chairman,  
Branch Manager and CEO  
of Nomura International plc,  
German Branch

**Gerhard Wiesheu**  
Partner, B. Metzler seel. Sohn &  
Co. KGaA and member of the  
Executive Board of B. Metzler seel.  
Sohn & Co. Holding AG

### Managing Directors:

Magnus Fielko  
Andreas Körner (Chairman)

### Auditor:

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft  
Mergenthalerallee 3-5  
65760 Eschborn, Germany

### Investment Committee of the Fund:

Dieter Wittrin (Chairman)  
Clemens Gomeringer (Deputy  
Chairman)  
Frank Kaufmann

### Depository of the Fund:

The Bank of New York Mellon  
SA/NV Asset Servicing  
Friedrich-Ebert-Anlage 49  
60327 Frankfurt am Main  
Subscribed capital:  
EUR 1,508,654,000  
Paid-in capital:  
EUR 1,508,654,000  
Liable equity capital:  
EUR 2,676,000,000  
(as at: 31/12/2016)

### Additional information for distribution in Austria:

**Tax representative in Austria**  
Ernst & Young Steuerberatungs-  
und Wirtschaftsprüfungs-  
gesellschaft m.b.H.,  
Wagramer Straße 19,  
A-1220 Vienna, Austria

**Paying Agent/Distributor in Austria**  
UniCredit Bank Austria AG  
Schottengasse 6-8  
A-1010 Vienna

# Prospectus Nomura Real Protect Fonds

## Unit classes

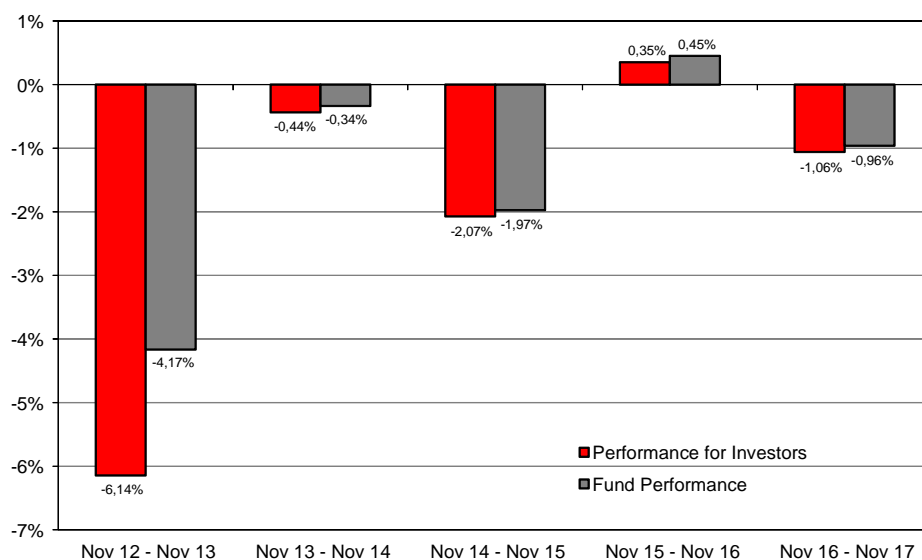
	Class I / EUR	Class I / EUR 2	Class R / EUR	Class I / USD
ISIN Code	DE0008484452	DE000A1XDW05	DE000A1XDW13	DE000A1XDW54
Currency	EUR	EUR	EUR	USD (hedged)
Issue date	29.04.2009	14.10.2014	30.04.2015	20.01.2017
Front-end load	2%	2%	2%	2%
Appropriation of income	Dividends	Dividends	Dividends	Dividends
Management Company fee*	0.35%	0.35%	0.72%	0.35%
Minimum investment**	n/a	EUR 10,000,000	n/a	USD 1 million

\*) Current management fee

\*\*) The Company reserves the right to deviate from the minimum investment amount at its discretion. Subsequent payments may be made in any amount.

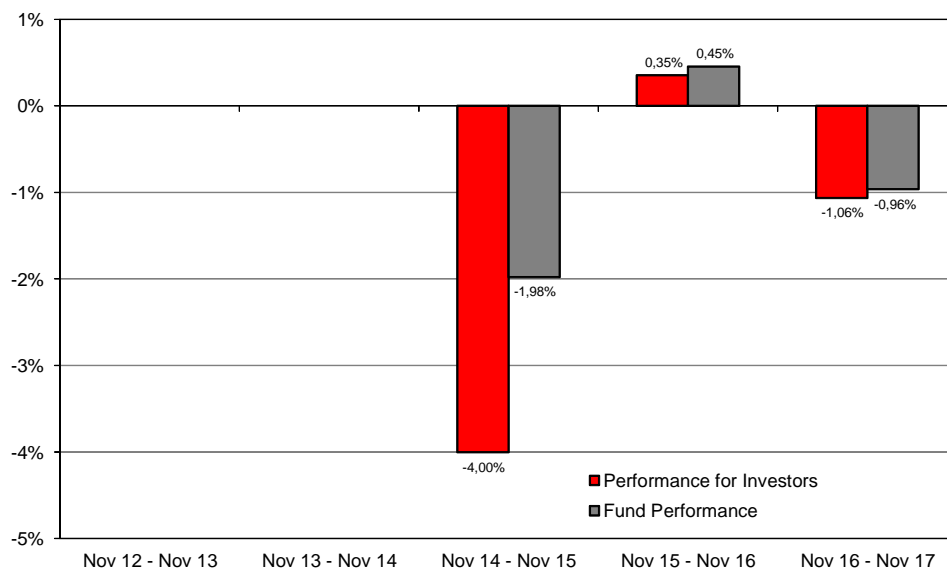
## Past performance

### Nomura Real Protect Fonds Class I / EUR

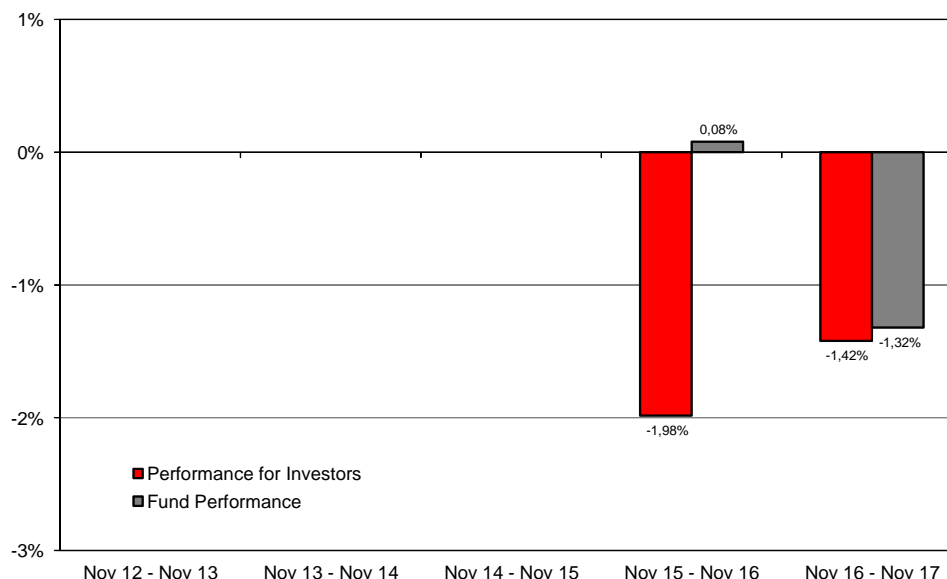


# Prospectus Nomura Real Protect Funds

## Nomura Real Protect Fonds Class I / EUR 2



## Nomura Real Protect Fonds Class R / EUR



The graph is based on own calculations according to the method recommended by the German BVI (Bundesverband Investment und Asset Management e.V.) and illustrates past performance. Future results may be lower or higher. Based on an example investment of EUR 1,000, the investment result is reduced in the period shown by EUR 1 of custody fees each year. These custody fees may be higher or lower, depending on the depository. In addition, a 5% front-end load is assumed, which is deducted in the first reporting period.

There are not yet sufficient data available for the unit class Class I/USD to provide useful information on past performance.

**Past performance of the Fund is not a predictor of future performance.**

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# Prospectus Nomura Real Protect Fonds

## Notice on the Prospectus

Units in the Nomura Real Protect Fonds are purchased and sold on the basis of the Prospectus, the key investor information document and the General Terms and Conditions of Investment in conjunction with the Special Terms and Conditions of Investment, as applicable. The General Terms and Conditions of Investment and the Special Terms and Conditions of Investment are appended to this Prospectus on page 36.

Upon request, the Prospectus should be made available free of charge to parties interested in acquiring units in the Nomura Real Protect Fonds and all Fund investors, together with the most recently published annual report and any semi-annual report published after the annual report. In addition, the key investor information document should be made available free of charge to parties interested in acquiring a unit in the Nomura Real Protect Fonds in sufficient time before contract conclusion.

No information or declarations may be provided that differ from the information contained in the Prospectus. Units purchased on the basis of information or declarations that cannot be found in the Prospectus or the key investor information document are purchased exclusively at the buyer's risk.

The Prospectus is supplemented by the most recent annual report and any semi-annual report published after the annual report.

## Investment restrictions for US persons

Nomura Asset Management Deutschland KAG mbH and/or Nomura Real Protect Fonds are not and will not be registered under the United States Investment Company Act of 1940, as amended. Fund units are and will not be registered under the United States Securities Act of 1933, as amended, or the securities legislation of any federal state in the United States of America. Units of the Nomura Real Protect Fonds may not be offered or sold in the United States or to a US person, or offered or sold for the account of a US person. Parties interested in acquiring units may need to demonstrate that they are not US persons, they are not acquiring units on behalf of US persons and will not sell units on to US persons. US persons include natural persons if they are domiciled in the United States. US persons may also be partnerships or corporations if these are established in accordance with the laws of the USA or a US federal state, territory or US occupancy, for example.

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## Most important legal consequences of the contractual relationship

By acquiring units, the investor becomes a co-owner of the assets held by the **Nomura Real Protect Fonds** on a pro rata basis. They do not have the fund assets at their disposal. No voting rights are associated with the units.

All publications and promotional literature must be drawn up in German or must include a German translation. Nomura Asset Management Deutschland KAG mbH shall furthermore conduct all communication with its investors in German.

## Enforcement of rights

The legal relationship between Nomura Asset Management Deutschland KAG mbH and the investor and pre-contractual relationships are governed by German law. The registered office of Nomura Asset Management Deutschland KAG mbH is the investor's place of jurisdiction for legal action against the capital management company resulting from the contractual relationship. Investors who are consumers (see the following definition) and live in another EU country may also take legal action before a competent court in their place of residence. The enforcement of legal judgments is governed by the German Code of Civil Procedure and, where applicable, the German Act on Forced Sale and Sequestration or the German Insolvency Act. As Nomura Asset Management Deutschland KAG mbH is subject to German law, there is no need to acknowledge German judgments prior to their enforcement.

The address of Nomura Asset Management Deutschland KAG mbH is:  
Gräfstrasse 109, 60487 Frankfurt am Main

To enforce their rights, investors can take legal action before the ordinary courts or, where available, initiate a procedure for alternative dispute resolution.

Nomura Asset Management Deutschland KAG mbH has undertaken to participate in dispute resolution procedures before a consumer arbitration authority.

In the event of disputes, consumers can call upon the "Ombudsman for investment funds" of BVI Bundesverband Investment und Asset Management eV. as the competent Consumer Arbitration Service. Nomura Asset Management Deutschland KAG mbH participates in dispute resolution procedures before this arbitration body.

The contact details for the "Ombudsman for investment funds" are:

Office of the Ombudsman BVI Bundesverband Investment und Asset Management e.V.  
Unter den Linden 42  
10117 Berlin  
Phone: (030) 6449046-0  
Fax: (030) 6449046-29  
E-mail: [info@ombudsstelle-investmentfonds.de](mailto:info@ombudsstelle-investmentfonds.de)  
[www.ombudsstelle-investmentfonds.de](http://www.ombudsstelle-investmentfonds.de)

Consumers are natural persons who invest in the Fund for a purpose that predominantly cannot be attributed to their commercial or their independent professional activity, i.e. their investment is for private purposes.

In the event of disputes in connection with purchase agreements or service agreements that were concluded electronically, consumers may also contact the EU's online dispute resolution platform ([www.ec.europa.eu/consumers/odr](http://www.ec.europa.eu/consumers/odr)). The following email address can be provided as the capital management company's contact address: [info@nomura-asset.de](mailto:info@nomura-asset.de). The platform itself is not a dispute resolution body; it only facilitates contact between parties and a relevant national arbitration body.

The right to take action before the courts remains unaffected by a dispute resolution procedure.



# Prospectus Nomura Real Protect Fonds

## Basic information

### The investment fund (the Fund)

The investment Nomura Real Protect Fonds (hereinafter referred to as the "Fund") is an undertaking for collective investment that collects capital from a number of investors in order to invest it in accordance with a defined investment strategy for the benefit of these investors (hereinafter referred to as the "investment fund"). The Fund is an investment fund in accordance with Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (hereinafter referred to as "UCITS") pursuant to the German Investment Code (hereinafter referred to as "KAGB"). It is managed by Nomura Asset Management Deutschland KAG mbH (hereinafter referred to as the "Company"). **Nomura Real Protect Fonds** was launched on 29/04/2009 for an indefinite period.

The Company invests capital deposited with it in its own name for the joint account of the investors, according to the principle of risk spreading, in the assets permitted under the KAGB, separate from its own assets, in the form of investment funds. The purpose of the Fund is limited to investments in accordance with a defined investment strategy within the framework of collective asset management using the funds deposited therein; operational activities and active management of the assets held are excluded. The assets in which the Company may invest the investors' monies and the rules it must follow in doing so are stated in the KAGB, the associated regulations, the German Investment Tax Act (hereinafter referred to as "InvStG") and the Terms and Conditions of Investment that govern the legal relationship between the investors and the Company. The Terms and Conditions of Investment include a general and a special part ("General Terms and Conditions of Investment" and "Special Terms and Conditions of Investment"). Terms and conditions of investment for a public investment fund must be approved before they are applied by the German Federal Financial Supervisory Authority ("BaFin"). The Fund is not a part of the insolvency assets of the Company.

### Sales documents and disclosure of information

The Prospectus, the key investor information document, the Terms and Conditions of Investment, and the current annual and semi-annual reports can be obtained free of charge from the Company or at [www.nomura-asset.de](http://www.nomura-asset.de).

Additional information on the risk management investment limits of the Fund, the risk management methods and the latest developments concerning the risks and returns of the most important categories of assets is available from the Company in writing.

Due to the legal requirements of some institutional investors, these shall receive additional information on the composition of the investment funds beyond that in the annual and semi-annual reports upon request. If the Company provides individual investors with additional information on the composition of the Fund's portfolio or its performance in this context, it shall make this information available to other investors at the same time from 15 March 2017. For this purpose, investors must provide up-to-date proof of their participation in the investment fund to the Company. Details on how to provide such further information are available at [www.nomura-asset.de](http://www.nomura-asset.de).

### Terms and Conditions of Investment and their amendments

The Terms and Conditions of Investment are printed in this documentation after this Prospectus. The Terms and Conditions of Investment can be amended by the Company. Amendments to the Terms and Conditions of Investment require approval by BaFin. Amendments to the investment principles of the Fund also require the approval of the Company's Supervisory Board. Amendments to the Fund's investment principles are permissible only on the condition that the Company offers investors the opportunity to either redeem (without additional charges) their units prior to the amendments taking effect or to exchange their units free of charge for units in investment funds with comparable investment principles that are being managed by the Company or another undertaking from the Group.

All planned amendments shall be published in the Federal Gazette (Bundesanzeiger) and at [www.nomura-asset.de](http://www.nomura-asset.de). If the amendments concern fees and reimbursements of expenses which may be taken from the Fund, or the Fund's investment principles or significant investor rights, investors shall also receive information via their custodian on a medium on which information can be visibly reproduced without modification and stored for a period appropriate for the purposes of the information, such as in paper form or electronic form ("durable medium"). This information includes the essential content of the proposed amendments, their background, the rights of investors in connection with the amendment, as well as an indication of where and how further information can be obtained.

The amendments take effect no sooner than the day following their publication. Amendments to provisions on fees and reimbursements of expenses take effect no sooner than three months after their publication, unless an earlier date is set with the approval of BaFin. Amendments to the current investment principles of the Fund shall also take effect no sooner than three months after publication.

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## Management Company

### Company, legal form and registered office

Nomura Asset Management Deutschland KAG mbH is a capital management company as defined by the German Capital Investment Code (KAGB) in the legal form of a limited liability company (GmbH) and was established on 25 August 1988. The Company has its registered office in Frankfurt am Main.

The Company may manage UCITS investment funds in accordance with Section 1(2) in conjunction with Sections 192 et seqq. KAGB.

The Company is authorised as a UCITS capital management company and an AIF capital management company in accordance with the KAGB. Since January 2015, it has been authorised to manage the following investment funds in accordance with the German Capital Investment Code:

Open-ended domestic special AIF with fixed investment conditions pursuant to Section 284 KAGB, insofar as they invest exclusively in the assets specified in Section 284(2) No. 2 Letter a), b), c), d) and g) KAGB.

### Executive Board/Management and Supervisory Board

More information about the management, the composition of the Supervisory Board and the shareholder structure can be found at the start of the Prospectus.

### Equity capital and additional equity

The Company has subscribed and paid-up capital of EUR 5,150,000.

As set out below, the Company has covered the professional liability risks arising from the management of investment funds that do not comply with the UCITS Directive, known as alternative investment funds (hereinafter referred to as "AIF") and that are due to professional negligence of its executive bodies or employees: Equity capital equal to at least 0.01 percent of the value of the portfolios of all managed AIFs; this amount shall be reviewed and adjusted annually. This equity capital includes the capital paid up.

## Depositary

### Identity of the Depositary

The credit institution The Bank of New York Mellon SA/NV Asset Servicing, with its registered office at Friedrich-Ebert-Anlage 49, 60327 Frankfurt am Main, has assumed the role of Depositary for the Fund. The Depositary is a bank licensed in

Belgium which is supervised by the Belgian financial supervisory authority, NBB – National Bank of Belgium, and by the European Central Bank. The German depositary and custody business and the associated services are performed by the German branch of The Bank of New York Mellon SA/NV, Asset Servicing, Frankfurt am Main branch. This branch is subject to the supervision of BaFin.

### Duties of the Depositary

The KAGB provides for separation between the management and the safekeeping of investment funds. The Depositary holds the assets in blocked deposits or blocked accounts. For assets that cannot be held, the Depositary checks whether the Management Company has acquired title to these assets. It monitors whether the Company's dispositions in respect of the assets comply with the provisions of the KAGB and the Terms and Conditions of Investment. Investments in bank deposits at other credit institutions, and the disposal of such bank deposits, require the consent of the Depositary. The Depositary must give its approval if the investment/disposal is in accordance with the Terms and Conditions of Investment and the provisions of the KAGB.

The Depositary also has the following tasks in particular:

- issuing and redeeming Fund units,
- ensuring that the provisions of the KAGB and the Terms and Conditions of Investment of the Fund are observed when issuing and redeeming units and calculating the value of the units,
- ensuring that the consideration for transactions executed for the collective account of the investors comes into its safekeeping within the usual time periods,
- ensuring that the Fund's income is used in accordance with the provisions of KAGB and the Terms and Conditions of Investment,
- monitoring credit borrowing by the Company for the account of the Fund and, where appropriate, approving credit borrowing,
- ensuring that collateral for securities loans are ordered legally and available at any time.

### Conflicts of interest

There are no company law relationships between the Depositary and the Company, with the result that there are no conflicts of interest in this respect.

By its own account, the Depositary deals with conflicts of interest as follows:

The Bank of New York Mellon SA/NV, Asset Servicing, Frankfurt am Main branch, has developed guidelines for its companies and affiliated companies in the context of their business activities which define how conflicts of interest are to be managed. Functional and hierarchical separation prevents potential conflicts of interest that may arise for the acting company upon the assumption of tasks, for example in relation to the Fund or for the account of the Fund. Codes valid across

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the company define standards and methods as to how potential or actual conflicts are identified which may result from business activities. These standards and methods include formalised processes through an internal reporting system to regularly monitor and disclose conflicts of interest. Departments are obliged to disclose, monitor and control, or where necessary eliminate, conflicts of interest in relation to existing and planned activities or business relationships.

The Company is dependent on the supply of information by the Depositary and cannot verify the accuracy and completeness in detail.

## Sub-custodian services

The Depositary has delegated the following depositary tasks to another company (sub-custodian):

Assets held for account of the Fund are kept safe by the Depositary, The Bank of New York Mellon SA/NV, Asset Servicing, Frankfurt am Main branch and by the sub-depositaries appointed by The Bank of New York Mellon SA/NV, Asset Servicing, Frankfurt am Main branch in accordance with the enclosed list for the relevant markets. Central securities depositories are not included in the list as these are not sub-depositaries actively engaged by the Depositary.

The list can be found at the end of the Prospectus.

The following conflicts of interest could result from this sub-custody:

In respect of conflicts of interest, it is emphasised that The Bank of New York Mellon SA/NV, Asset Servicing, Frankfurt am Main branch uses its parent company The Bank of New York Mellon as a sub-depositary (and vice versa). Insofar as sub-depositaries (third parties) or their group companies perform other services for The Bank of New York Mellon SA/NV, Asset Servicing, Frankfurt am Main branch in addition to the custody activities, the risk of conflicts of interest is reduced in that the companies or business units concerned are obliged by corresponding contractual obligations with The Bank of New York Mellon SA/NV, Asset Servicing, Frankfurt am Main branch to manage their business properly.

The Company is dependent on the supply of information by the Depositary and cannot verify the accuracy and completeness in detail.

## Liability of the Depositary

As a rule, the Depositary is responsible for all assets that are held by it or, with its consent, by another body. In case such an asset is lost, the Depositary shall be liable to the Fund and its investors unless the loss is due to events beyond the control of influence of the Depositary. For damages that do not consist of the loss of an asset, the Depositary shall, as a rule, only be liable if it has not fulfilled its obligations under the provisions of the KAGB due to at least negligence.

## Additional information

On request, the Company will provide investors with up-to-date information on the Depositary and its obligations, the sub-custodians and possible conflicts of interest in connection with the Depositary's activities or the sub-custodians' activities.

Also on request, it will provide investors with information on the reasons as to why it decided on The Bank of New York Mellon SA/NV Asset Servicing as Depositary for the Fund.

## Risk warnings

Before the decision to buy the units in the Fund, investors should read the following risk warnings alongside the other information contained in this Prospectus carefully and take this into account when making a decision about the investment. The occurrence of one or more of these risks may itself or alongside other circumstances have a disadvantageous effect on the performance of the Fund or the assets contained in the Fund and therefore also have a disadvantageous effect on the unit value.

If an investor sells units to the Fund at a time when the market prices of the assets in the Fund have fallen compared to when the units were acquired, the investor will not recoup all of the money invested in the Fund. The investor may lose the capital invested in the Fund in part or in individual cases even in full. Increases in value are not guaranteed. The investor's risk is limited to the amount invested. The investor has no obligation to provide additional capital above what has already been invested.

In addition to the risks and uncertainties described below or elsewhere in this Prospectus, the Fund's performance may be adversely affected by various other risks and uncertainties that are not presently known. The order in which the following risks are listed does not provide an indicator about either the likelihood of their occurrence or the extent or significance of the occurrence of individual risks.

## Risks of investing in the Fund

The risks that are typically associated with investments in a UCITS are described below. These risks may have a detrimental effect on the unit value, the capital invested by the investor and the period of time for which the Fund investment is planned to be held by the investor.

## Variation in the Fund's unit value

The Fund's unit value is calculated based on the value of the Fund, divided by the number of outstanding units. The value of the Fund corresponds to the total of the market values of all of the assets in the Fund minus the total of the market values of all of the Fund's liabilities. The Fund's unit value is therefore dependent on the value of the assets held in the Fund and the

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level of the liabilities in the Fund. If the value of these assets falls or the value of the liabilities rises, the Fund's unit value falls.

## **Tax factors affecting individual results**

The tax treatment of capital gains depends on the individual relationships of the relevant investor and may be subject to changes in the future. The investor should contact their own tax advisor for individual questions - in particular when it comes to their individual tax situation.

## **Changing the investment policy or Terms and Conditions of Investment**

The Company may modify the Terms and Conditions of Investment with the approval of BaFin. This may also affect the investor's rights. The Company may modify the Fund's investment policy, for example by changing the Terms and Conditions of Investment, or it may increase the costs charged to the Fund. The Company may also amend the investment policy within the legally and contractually permitted investment scope and therefore without change to the Terms and Conditions of Investment and their approval by BaFin. This may change the risk associated with the Fund.

## **Authorised investment scope**

In consideration of the investment principles and limits defined by the German Investment Code and the Terms and Conditions of Investment, which provide for a very broad scope for the investment fund, the actual investment policy may also focus primarily on acquiring assets in, for example, only a few sectors, markets or regions/countries. Concentrating on a few particular investment sectors can provide extra opportunities, but also entails corresponding risks (e.g. narrow market, strong fluctuations during certain economic cycles). The annual report provides subsequent information on the content of the investment policy for the past financial year.

## **Suspension of redemption of units**

The Company can temporarily suspend the redemption of units under extraordinary circumstances that make suspension appear necessary when the interests of investors are taken into account. Extraordinary circumstances as defined above may be economic and political crises, an extraordinary level of redemption requests and the closure of stock exchanges or markets, trading restrictions or other factors that adversely affect the calculation of the unit value. BaFin may also order the Company to suspend the redemption of units if this is required in the interests of investors or the public. Investors cannot redeem their units during this period. The unit value may also fall in the event of the suspension of redemptions; e.g. if the Company is forced to sell assets below market value during the suspension of redemptions. The unit value following

the resumption of the redemption of units may be lower than that before the suspension of the redemption. Suspension may directly result in the dissolution of the investment fund if the redemption of units is not resumed, for example if the Company terminates the management of the Fund for purposes of subsequently liquidating the Fund. There is therefore a risk for investors that they may not be able to realise the planned holding period and that they may not be able to access for an indefinite period or may lose significant parts of the invested capital.

## **Dissolution of the Fund**

The Company has the right to terminate the management of the Fund. The Company may completely dissolve the Fund after terminating the management. The right to manage the Fund is automatically transferred to the Depositary after a six-month termination period. Investors are therefore exposed to the risk that they will be unable to realise their planned holding period. When the Fund is transferred to the Depositary, the Fund may be subject to other taxes in addition to German income taxes. If the Fund's units are removed from the investor's security account after the winding up process ends, the investor may be subject to income taxes.

## **Transfer of all Fund assets to another open-ended public investment fund (merger)**

The Company may transfer all of the Fund's assets to another UCITS. The investor may in this case (i) redeem the units, (ii) retain them with the consequence that they become an investor in the receiving UCITS, (iii) or exchange them for units in an open-ended public investment asset with comparable investment principles if the Company or a company associated with it manages such an investment fund with comparable investment principles. This applies equally if the Company transfers all of the assets of another open-ended public investment asset to the Fund. The investor must therefore make another investment decision ahead of time as part of the transfer. Income tax may be incurred when units are redeemed. When units are exchanged for units of another investment fund with comparable investment principles, investors may be charged taxes, such as if the value of the units received is higher than the value of the old units on the date of acquisition.

## **Transfer of the Fund to another capital management company**

The Company may transfer the Fund to another capital management company. This does not affect the Fund or the position of the investor. The investor must, however, decide within the scope of the transfer whether they consider the new capital management company to be as suitable as the previous one. If the investor does not want to remain invested in the Fund under its new management, they must redeem their units. Income taxes may be incurred in the process.

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## **Profitability and fulfilment of the investor's investment objectives**

There is no guarantee that the investor will achieve the desired investment success. The Fund's unit value may fall and result in losses for the investor. There are no guarantees by the Company or a third party with regard to a particular minimum payment commitment on redemption or a particular investment success for the Fund. Investors could therefore get back an amount lower than their original investment. A front-end load levied upon the acquisition of units or a redemption fee paid upon the sale of units may also reduce or even eliminate any investment success, especially if the investment is only held for a short period.

## **Risks of the Fund's negative performance (market risk)**

The risks associated with an investment in individual assets by the Fund are shown in the following. These risks may affect the performance of the Fund or the assets held in the Fund and hence affect the unit value and the investors' capital invested.

### **Value change risks**

The assets in which the Company invests for account of the Fund are subject to risks. They can therefore lose value such that the market value of the assets falls compared to the cost price or the cash or future prices may see different development.

### **Capital market risk**

The price or market development of financial products depends above all on developments on the capital markets, which are in turn affected by the overall situation of the global economy and the economic and political situation in the relevant countries. Irrational factors such as sentiment, opinions and rumours can have an effect on general price performance, particularly on a stock exchange. Variations in prices and market values may also be due to changes in interest rates, exchange rates or the creditworthiness of an issuer.

### **Share price risk**

It has been demonstrated that shares are subject to strong rate variations and therefore also the risk of a decline in prices. These price variations are affected in particular by the development of the profits of the issuing companies and the developments of the industry and macroeconomic developments. The confidence of market participants in the relevant company may also affect the price development. This applies in particular to companies whose shares are only admitted for trading on a stock exchange or another organised

market for a shorter period of time; small changes to forecasts may result in strong rate movements for these. If the percentage of freely tradable shares held by many shareholders (known as free float) is low, smaller purchase and sale orders may have a strong effect on the market price and thus result in higher rate variations.

### **Interest rate risk**

With investments in fixed-income securities there is always the possibility that market interest rates prevailing at the time a security is issued may subsequently change. Should the market interest rate rise compared to the rate at the time of issue, the prices of fixed-interest securities usually fall. On the other hand, if market interest rates fall, prices for fixed-interest securities will rise. This price trend means that the current yield on a fixed-interest security is roughly equivalent to the current market interest rate. Price fluctuations vary greatly, however, depending on the (remaining) maturity of the fixed-interest securities. Fixed-interest securities with shorter maturities have lower price risks than fixed-interest securities with longer maturities. In contrast, fixed-interest securities with shorter maturities generally have lower yields than fixed-interest securities with longer maturities. Due to their short maturity of not more than 397 days, money market instruments tend to have lower price risks. In addition, the interest rates of various interest rate-related financial instruments issued in the same currency may have a different development with a comparable remaining term.

### **Risk of negative credit interest**

The Company invests the liquid assets of the Fund at the Depository or other banks for account of the Fund. An interest rate is agreed for some of these bank deposits that corresponds to the European Interbank Offered Rate (Euribor) less a certain margin. If the Euribor falls below the agreed margin, this will result in negative interest on the corresponding account. Depending on the development of the European Central Bank's interest rate policy, short-, medium- and long-term bank deposits may all achieve a negative return.

### **Price risk of convertible and warrant bonds**

Convertible and warrant bonds securitise the right to exchange the bond for shares or purchase shares. The development of the value of convertible bonds or warrant bonds is therefore dependent on the price development of the share as the underlying. The risks to the performance of the underlying shares can therefore also affect the performance of the convertible bonds and warrant bonds. Warrant bonds that give the issuer the right to provide the investor with a number of shares determined in advance (reverse convertibles) instead of the repayment of a nominal amount are dependent, to an increased extent, on the relevant share price.



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## Risks relating to derivative transactions

The Company may enter into derivatives transactions for the Fund. The purchase and sale of options and the conclusion of futures contracts or swaps are associated with the following risks:

- The use of derivatives could result in losses which cannot be foreseen and may even exceed the amounts used in the derivative transaction.
- Changes in the price of the underlying may reduce the value of an option right or futures contract. If the value reduces and this makes the derivative worthless, the Company may be forced to let the acquired rights expire. The Fund can also suffer losses from changes in the value of the assets underlying a swap.
- There may not be a liquid secondary market for a particular instrument at any specific time. It may not be possible to neutralise (close) a position in derivatives under certain circumstances.
- The leverage effect of options may have a greater effect on the value of Fund assets than would the direct purchase of the underlyings. It may not be possible to determine the risk of loss when concluding the transaction.
- The purchase of options entails the risk that the prices of the underlyings might not develop as expected, leading to the loss of the option premium paid by the Fund. When options are sold, there is a risk that the Fund will be required to purchase assets at a price higher than the current market price or to deliver assets at a price lower than the current market price. In that case, the Fund suffers a loss in the amount of the difference in price minus the option premium collected.
- For futures contracts there is a risk that the Company will be required, for the Fund's account, to bear the difference between the rate set on conclusion and the market rate at the time of the closing out or maturity of the transaction. The Fund would therefore suffer losses. The risk of loss cannot be determined when concluding futures contracts.
- It may be necessary to conclude an offsetting transaction and this incurs costs.
- The forecasts made by the Company on the future development of fundamental assets, interest rates, prices and exchange markets may prove to be incorrect later.
- It may not be possible to buy or sell the assets underlying the derivatives at a favourable time or they may have to be bought or sold at an unfavourable time.

Over-the-counter (OTC) transactions may involve the following risks:

- There may be no organised market, so the Company may find it difficult or impossible to sell the financial instruments purchased on the OTC market for the Fund's account.
- The individual agreement may make it difficult or impossible to conclude an offsetting transaction (settlement) or considerable costs may be associated with such settlement.

## Risks associated with securities lending transactions

If the Company grants a securities loan for the Fund's account, it transfers securities to a borrower who transfers the securities back at the end of the transaction in the same type, quantity and quality (securities lending). The Company has no possibility to dispose of the securities lent for the duration of the transaction. If the security loses value during the transaction and the Company wants to sell the security completely, it must terminate the loan and wait for the normal settlement cycle, which creates a loss risk for the Fund.

## Risks associated with repurchase transactions

If the Company transfers securities under a repurchase agreement, it sells securities and is obliged to buy them back at a supplement at the end of the term. The repurchase price to be paid at the end of the term by the seller in addition to the supplement is set on conclusion of the transaction. If the securities placed under repurchase agreements lose value during the transaction's term and the Company intends to sell them to limit the loss of value, it can only do this by exercising the advance termination right. The advance termination of the transaction may be accompanied by financial losses for the Fund. It may become clear that the supplement to be paid at the end of the term is higher than the income that the Company has generated by reinvesting the cash received as the sales price.

If the Company receives securities under a repurchase agreement, it buys these and must sell them again at the end of a term. The repurchase price plus a supplement is defined when the transaction is concluded. The securities received under repurchase agreements act as collateral for the provision of liquidity to the contractual partners. Any increases in the value of the securities do not benefit the Fund.

## Risks associated with the receipt of collateral

The Company receives collateral for derivatives, securities lending and repurchase transactions. Derivatives, loaned securities or securities transferred under repurchase agreements may increase in value. The collateral received would no longer be enough to cover the full delivery and return rights of the Company vis-à-vis the counterparty.

The Company may invest cash collateral in blocked accounts, high quality government bonds or money market funds with short-term structures. The credit institution where the bank deposits are kept safe may, however, become insolvent. Government bonds and money market funds can decline. Upon completion of the transaction, the collateral placed may no longer be available in full, although it has to be returned by the Company for the Fund in the amount originally received. The Fund would then have to bear the collateral losses.

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## **Risk associated with securitisation positions without retained interest**

The Fund may only acquire securities that securitise claims (securitisation positions) and that were issued after 1 January 2011 if the debtor retains at least five percent of the securitisation volume in the form of a retained interest and complies with other requirements. The Company is therefore required to take remedial action in the interests of investors if the Fund assets include securitisations that do not comply with these EU standards. As part of these remedial measures, the Company may be forced to sell such securitisation positions. Due to legal requirements for banks, investment companies and insurance companies, there is a risk that the Company cannot sell such securitisation positions or can only sell them at a significant discount or with a significant delay.

## **Inflation risk**

Inflation poses a depreciation risk for all assets. This also applies to assets held in the Fund. The inflation rate may be above the increase in the Fund's value.

## **Currency risk**

Fund assets may be invested in a currency other than the Fund currency. The Fund receives income, repayments and proceeds from such investments in the other currency. If the value of this currency declines in relation to the Fund currency, the value of such investments decreases and so does the value of the Fund assets.

## **Concentration risk**

If investments are concentrated in certain assets or markets, then the Fund becomes particularly heavily dependent on the performance of these assets or markets.

## **Risks relating to investments in investment units**

The risks associated with the units in investment funds acquired for the Fund (so-called "target funds") are closely connected with the risks associated with the assets held in these target funds and/or the investment strategies pursued by these target funds. Since the managers of the individual target funds act independently of each other, there could be a situation in which several target funds pursue the same or opposite investment strategies. This may give rise to the accumulation of existing risks, and any opportunities may cancel each other out. In general the Company is not able to control the management of the target funds. Their investment decisions do not always have to align with perceptions or expectations of the Company. The Company is often not aware in due time of the actual composition of the target funds. If this composition does not correspond to its assumptions or expectations, the Company may not react until much later by redeeming the target fund units.

Open-ended investment funds in which the Fund purchases units may also temporarily suspend the redemption of units. The Company would then be prevented from selling the units in the target fund by returning these to the Management Company or the depositary of the target fund against payment of the redemption price.

## **Risks associated with the range of investments**

In consideration of the investment principles and limits defined by the law and the Terms and Conditions of Investment, which provide for a very broad scope for the Fund, the actual investment policy may also focus primarily on acquiring assets in, for example, only a few sectors, markets or regions/countries. This focus on a few specific investment sectors may be associated with risks (e.g. narrow market, high degree of fluctuation in certain economic cycles). The annual report provides subsequent information on the content of the investment policy for the past financial year.

## **Risks of restricted or increased liquidity of the Fund and risks in connection with increased subscriptions or redemptions (liquidity risk)**

The risks that may have an adverse effect on the Fund's liquidity are presented in the following. This may result in the Fund temporarily or permanently being unable to comply with its payment obligations or the Company not being able to fulfil the redemption requests from investors on a temporary or permanent basis. The investor may not realise the planned holding period and may not be able to access the invested capital or parts thereof for an indefinite period. If liquidity risks materialise, this could also reduce the value of the Fund assets and therefore the unit value, for example if the Company is forced, insofar as legally permissible, to dispose of assets for the Fund below market value. If the Company is not able to fulfil investors' redemption requests, this may also lead to the suspension of the redemption of units and, in extreme cases, to the subsequent liquidation of the fund.

## **Risks associated with investments in assets**

Assets that are not admitted for trading on a stock exchange nor admitted to another organised market or included in such market may also be purchased for the Fund. Should the need arise, it may only be possible to sell these assets at greatly reduced prices or after a delay, or it may not be possible to sell them at all. Even assets admitted for trading on a stock exchange may, depending on the market situation, volume, timeframe and planned charges, not be sold at all or only at greatly reduced prices. Although it is only possible to purchase assets for the Fund that can in principle be liquidated at any time, it cannot be ruled out that they can only be sold temporarily or permanently at a loss.

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## **Risk from borrowing**

The Company may take out loans for the account of the Fund. Loans with a variable interest rate may have a negative impact on the Fund assets when interest rates rise. If the Company has to repay a loan and cannot do so by means of follow-up financing or using liquidity available in the Fund, it may be forced to dispose of assets prematurely or at worse conditions than planned.

## **Risks associated with increased redemptions or subscriptions**

The purchase and sale orders of investors result respectively in inflows or outflows of liquidity to/from the Fund assets. The inflows and outflows can lead to a net inflow or net outflow of the Fund's liquid assets. This net inflow or outflow may cause the Fund manager to buy or sell assets resulting in transaction costs. This applies in particular if the inflows and outflows exceed or do not reach the limit set for the Fund by the Company. The resulting additional transaction costs are charged to the Fund and may adversely affect the performance of the Fund. In the case of inflows, the increased Fund liquidity may adversely affect the performance of the Fund if the Company cannot invest the funds on appropriate conditions or cannot do so in good time.

## **Risk associated with holidays in certain regions/countries**

In accordance with the investment strategy, investments for the Fund are to be made in certain regions/countries in particular. Due to local public holidays in these regions/countries, the trading days on stock exchanges in these countries/regions and the Fund's valuation dates may differ. The Fund might not be able to react on a day which is not a valuation day to market developments in regions/countries on the same day, or trade on the market there on a valuation day which is not a trading day in these regions/countries. This can prevent the Fund from selling assets in the required time. This can adversely affect the Fund's capability of meeting redemption requests or other payment obligations.

## **Counterparty risk including loan and receivables risk**

The risks that may arise for the Fund in the context of a business relationship with another party (counterparty) are presented in the following. There is a risk that the contractual partner will no longer be able to meet its agreed obligations. This can adversely affect the performance of the Fund and thus also adversely affect the unit value and the capital invested by the investor.

## **Counterparty default risk/counterparty risks (except for central counterparties)**

The failure of an issuing party (hereinafter referred to as the "issuer") or a contractual partner (hereinafter referred to as the "counterparty") against whom the Fund has claims, may result in losses for the Fund. Issuer risk describes the effect of specific developments at an individual issuer that have an impact on the price of a security in addition to general capital market trends. Even when the utmost care is exercised in selecting the securities, it cannot be ruled out that there may be losses due to the financial collapse of issuers. The party to a contract entered into on behalf of the Fund may fail in full or in part (counterparty risk). This applies to all agreements that are entered into on behalf of the Fund.

## **Risk associated with central counterparties**

A central counterparty ("CCP") acts as an intermediate institution in certain transactions for the Fund, in particular for derivative financial instruments. In this case it acts as the buyer vis-à-vis the seller and as the seller vis-à-vis the buyer. A CCP hedges against the risk that its business partners may not provide the agreed services through a number of protective mechanisms that enable it at any time to make up for losses from the transactions entered into (e.g. by means of collateral). Despite these protective mechanisms, it cannot be ruled out that a CCP will become overindebted and insolvent, which could also affect the Company's claims for the Fund. This may result in losses for the Fund.

## **Counterparty credit risks associated with repurchase transactions**

If the Company transfers securities under repurchase agreements for the account of the Fund, it must receive sufficient collateral in case of the default of the counterparty. If a counterparty becomes insolvent during the term of the repurchase agreement, the Company has a right to realise the collateral provided. A risk of loss may result for the Fund if the collateral provided is no longer sufficient, for example due to rising prices of the securities transferred under repurchase agreements, to cover the retransfer right of the Company in full.

## **Counterparty risks associated with securities lending transactions**

If the Company grants loans for securities for the account of the Fund, it must be provided with adequate collateral for the event of the default of the contractual partner. The scope of the collateral matches at least the market value of the securities transferred as securities loans. The borrower must provide additional collateral if the value of the securities granted as loans rises, the quality of the collateral provided declines or a deterioration of the economic conditions occurs and the collateral already provided is not adequate. If the borrower cannot comply with this obligation to provide additional collateral, there is the risk that the retransfer right is



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not completely secured if the contractual partner fails. If the collateral is held under custody at an institution that is not the Fund's Depositary, there is also the risk that this cannot be sold immediately or in full if the borrower fails.

## Operational and other risks to the Fund

The risks presented below are risks which could, for example, result from inadequate internal processes or human or system failures at the Company or external third parties. These risks can adversely affect the performance of the Fund and thus also adversely affect the unit value and the capital invested by the investor.

## Risks associated with criminal acts, grievances or natural disasters

The Fund may fall victim to fraud or other criminal acts. It may suffer losses from misunderstandings or mistakes by employees of the Company or external third parties or be damaged by external events such as natural disasters.

## Country or transfer risk

There is a risk that a foreign debtor will not be able to make payments in time, at all or only in a different currency, despite being solvent, due to an inability to transfer the currency, a lack of willingness to make transfers in its country of residence or for similar reasons. Thus, for example, payments to which the Company is entitled for the account of the Fund may fail to be made or may be made in a currency that is no longer convertible due to currency exchange restrictions or may take place in another currency. If the debtor pays in another currency, this position is subject to the currency risk stated above.

## Legal and political risks

Investments may be made for the Fund in legal systems where German law does not apply or, in the event of legal disputes, where the court of jurisdiction is outside Germany. The resulting rights and duties of the Company for the account of the Fund may vary from those in Germany to the disadvantage of the Fund or investor. Political or legal developments including changes to the legal framework in these jurisdictions may not be recognised by the Company or recognised too late or result in restrictions relating to assets that can be or have already been purchased. These consequences may also result if the legal environment changes for the Company and/or administration of the Fund in Germany.

## Changes to tax conditions, tax risk

The brief information on provisions under tax law in this Prospectus is based on the current legal situation. It is directed towards persons who are fully subject to income tax or corporation tax in Germany. There is no guarantee, however, that this evaluation of the tax situation will not change due to

changes in the law, court rulings or bulletins issued by the tax authorities.

A change in inaccurately determined taxation bases of the Fund for previous financial years (e.g. due to tax audits) may, in the event of corrections that are disadvantageous to investors for tax purposes, mean that investors have to bear the tax burden resulting from the corrections for previous business years, although they may not have been invested in the Fund at that time. On the other hand, the case may arise in which investors do not receive the benefits of a tax correction favourable to them for the current and for previous financial years in which they were invested in the Fund because they redeemed or sold the units before the correction.

The correction of tax data may also result in taxable income or tax benefits being subject to tax in a period other than the actual period of investment, and this may have negative results for individual investors.

## Key person risk

When the Fund achieves very positive investment results over a certain time period, this success may also be due to the abilities of the persons involved and the correct decisions made by its management. The composition of the Fund management can, however, change. New decision-makers may act less successfully.

## Custody risk

The custody of assets, particularly in foreign countries, is associated with a risk of loss which may result from the insolvency or due diligence violations of the Custodian or force majeure.

## Risks associated with trading and clearing mechanisms (settlement risk)

There is a risk when settling securities transactions that one of the contractual parties delays payment or does not pay as agreed or that the securities are not delivered in good time. This settlement risk also exists in transactions with other assets for the Fund.

## Explanation of the Fund's risk profile

Due to the investment objective and strategy of the Fund, the Fund is exposed in particular to the risks associated with the predominant investment in bonds (in particular inflation-linked bonds). The main risks are the following:

- price volatility of bonds and inflation,
- Interest rate risk
- Country or transfer risk
- Counterparty risk

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In respect to other potential risks that may arise for the Fund, please refer to the "Risk warnings" section.

## Profile of the typical investor

The Fund is aimed at all types of investors who pursue the objective of capital formation and asset optimisation. Investment in the Fund is only suitable for experienced investors. The investor shall require no guarantee in terms of the return on their investment amount; the units of the funds are generally subject to only minor fluctuations in value. However, losses cannot be ruled out. The investment horizon should be at least three years.

## Investment objectives, strategy, principles and limits

### Investment objective and strategy

The Fund is a bond fund. The investment objective of the Fund is to generate ongoing income by means of investments in a broadly diversified portfolio of mainly global, inflation-linked, short- and medium-term government and corporate bonds with high credit ratings from OECD countries. Optionally, the Fund may also be fully invested in nominal bonds. The Fund invests at least 51 percent of its assets in interest-bearing securities of domestic and foreign issuers.

**NO ASSURANCE CAN BE GIVEN THAT THE INVESTMENT POLICY OBJECTIVES WILL ACTUALLY BE ACHIEVED.**

### Assets

The Company may acquire the following assets for the account of the Fund:

- Securities in accordance with Section 193 KAGB;
- Money market instruments in accordance with Section 194 KAGB;
- Bank deposits in accordance with Section 195 KAGB;
- Investment units in accordance with Section 196 KAGB;
- Derivatives in accordance with Section 197 KAGB;
- Other investment instruments in accordance with Section 198 KAGB.

The Company may acquire these assets within the investment limits defined in particular in

"Investment limits for securities and money market instruments including the use of derivatives and bank deposits" and "Investment units and their investment limits". Details on these assets and the investment limits applicable thereto are described below.

## Securities

The Company may acquire securities of domestic and foreign issuers for the account of the Fund if

1. they are admitted to trading on a stock exchange or admitted to or included in another organised market in a Member State of the European Union ("EU") or another signatory to the Agreement on the European Economic Area ("EEA"),
2. they are exclusively admitted to trading on a stock exchange or admitted to or included in another organised market outside the Member States of the EU or outside the other signatories to the Agreement on the European Economic Area, provided that the choice of this stock exchange or organised market has been approved by BaFin.

Securities from new issues may be acquired if, in accordance with their offering terms, admission to or inclusion in one of the aforementioned stock exchanges or organised markets indicated in 1. and 2. must be applied for, and the securities are admitted or included within a year after issue.

In this regard securities also refer to

- Units in closed-ended investment funds in a contractual or corporate form that are subject to control by the unit holder (so-called corporate control); in other words, the unit holder must have voting rights relating to important decisions and the right to control the investment policy using appropriate mechanisms. The investment fund must also be managed by a legal entity that is subject to regulations on investor protection, unless the investment fund is created in the form of a company and the activity of the asset manager is not undertaken by another legal entity.
- Financial instruments secured by other assets or linked to the development of other assets. If derivative components are embedded in such financial instruments, other requirements apply so that the Company may acquire these as securities.

The securities may only be purchased under the following conditions:

- The potential loss that the Fund may incur may not exceed the purchase price of the security. There may be no obligation to make additional payments.
- The insufficient liquidity of the security purchased by the Fund may not result in the Fund no longer being able to comply with the statutory regulations on the redemption of units. This applies whilst taking into account the statutory option of suspending the redemption of units (refer to the section on "Units – Issue and redemption of units and – Suspension of redemption of units").
- A reliable valuation of the security through accurate, reliable and consistent prices must be available; these must be either market prices or have been provided by a valuation system that is independent of the issuer of the security.
- Suitable information must be available on the security in the form of regular, accurate and comprehensive market

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information on the security or, where relevant, on the portfolio of the security.

- The security is tradable.
- The purchase of the security matches the investment objectives and strategy of the Fund.
- The risks of the security are recorded appropriately by the Fund's risk management.

Securities may also be purchased in the following form:

- Shares to which the Fund is entitled under a capital increase from Company funds.
- Securities that are acquired in the exercise of subscription rights belonging to the Fund.

Subscription rights may be purchased for the Fund as securities by this definition if the securities from which the subscription rights arise could be included in the Fund.

Shares, share certificates, participatory notes and warrants, participation certificates, index certificates, interest-bearing securities including convertible bonds, warrant bonds, inflation-linked bonds and other securitised derivatives of domestic and foreign issuers can be acquired for the investment fund.

The investment fund invests at least 51 percent of its assets in interest-bearing securities of domestic and foreign issuers.

## Money market instruments

The Company may for the account of the Fund, invest in money market instruments that are normally traded on the money market and in interest-bearing securities that alternatively

- have a maturity or residual maturity of at most 397 days from the time of their purchase for the Fund.
- at the time of their purchase for the Fund have a maturity or residual maturity that is more than 397 days but whose interest rate is, according to the issuing conditions, adapted to the market regularly, at least every 397 days.
- have a risk profile that matches the risk profile of securities that fulfil the criterion of the outstanding term or interest rate modification.

Money market instruments may be purchased for the Fund if they

are admitted to trading on a stock exchange or admitted to or included in another organised market in a Member State of the EU or another signatory to the Agreement on the European Economic Area,

are exclusively admitted to trading on a stock exchange or admitted to or included in an organised market outside the Member States of the EU or outside the other signatories to the Agreement on the European Economic Area, provided that the choice of this stock exchange or market has been approved by BaFin,

are issued or guaranteed by the EU, the German Federal Government, an investment fund held by the Federation, a federal state, another Member State or another central-state, regional or local authority or by a central bank of an EU Member State, the European Central Bank or the European Investment Bank, a non-Member State or, in the case of a federal state, by one of the members making up the federation, or by a public international body to which one or more EU Member States belong,

are issued by a company whose securities are traded on the markets referred to in Nos. 1 and 2,

are issued or guaranteed by a credit institution which is subject to supervision in accordance with the criteria under European Union law, or a credit institution which is subject to and complies with supervisory provisions which are, according to BaFin, equal to those of European Union law, or

are issued by other issuers, and each of these issuers is

a company with equity capital of at least EUR 10 million that creates and publishes its annual financial statements according to the European Directive on the annual financial statements of corporations, or

- a) a legal entity within a corporate group including one or more listed companies that is responsible for the financing of this group, or
- b) a legal entity that issues money market instruments that are subject to liabilities by using a credit line issued by a bank. These are products that securitise loan claims from banks (so-called asset-backed securities).

All stated money market instruments may only be acquired if they are liquid and their value can be determined precisely at any time. "Liquid" money market instruments are those which can be disposed of within a sufficiently short time at a limited cost. It should be remembered that the Company is bound to redeem shares in the Fund should investors so require and be able to dispose of such money market instruments at short notice accordingly. There must also be a precise, reliable valuation system for the money market instruments which facilitates the determination of the net asset value of the money market instrument and is based on market data or valuation models (including systems based on amortised costs). The characteristic of liquidity is considered to have been met for money market instruments if these are authorised or included in an organised market within or outside the EEA, if BaFin has approved the choice of this market. This does not apply if information is available to the Company that indicates that the money market instruments are insufficiently liquid.

For money market instruments that are not listed on a stock exchange or admitted for trading on a regulated market (refer to Nos. 3 to 6 above), the issuer or issuer of these instruments must also be subject to deposit and investor protection. Therefore, appropriate information must be available for these money market instruments that enables an appropriate assessment of the loan risks associated with the instruments, and the money market instruments must be freely transferable.

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The loan risks may be assessed by a creditworthiness check by a rating agency.

The following requirements also apply to these money market instruments unless they are issued or guaranteed by the European Central Bank or the central bank of a Member State of the EU:

- If they are issued or guaranteed by the following (specified above under No. 3) institutions:
  - the EU,
  - the German Federal Government,
  - a special fund of the German Federal Government,
  - a federal state,
  - another Member State,
  - another central-state public authority,
  - the European Investment Bank,
  - a third country or, if this is a federal state, a member state of this federal state
  - an international public law organisation to which at least one EU Member State belongs,

there must be appropriate information on the issue or the issuance programme or the legal and financial situation of the issuer before the money market instrument is issued.

- If they are issued or guaranteed by a credit institution subject to supervision in the EEA (see above under No. 5), there must be adequate information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the money market instrument; this information must be updated regularly and whenever a significant event occurs. In addition, data related to the issue or the issuance programme must be available that enables an appropriate assessment of the credit risks associated with the investment (e.g. statistics).
- If they are issued by a bank that is subject to supervision provisions outside the EEA which in the opinion of BaFin are equivalent to the requirements for a bank within the EEA, one of the following requirements must be met:
  - The bank maintains a registered office in one of the so-called group of ten (association of the most important leading industrial countries - G10) Member States of the Organisation for Economic Cooperation and Development (referred to below as the "OECD").
  - The bank has at least an investment-grade rating. "Investment grade" means a rating of "BBB" or "Baa" or better as part of a credit check by a rating agency.
  - Using an in-depth analysis of the issuer, it can be demonstrated that the supervisory conditions applicable to the bank are at least as strict as EU law.
- For the other money market instruments that are not listed on a stock exchange or admitted for trade on a regulated market (refer to Nos. 4 and 6 above and the others listed under No. 3), appropriate information on the issue or the issuance programme and the legal and financial situation of the issuer must be available before issue of the money market instrument that is updated at regular intervals and if there are significant facts and audited by qualified third parties that are independent of the issuer's instructions. In addition, data related to the issue or the issuance programme must be available that

enables an appropriate assessment of the credit risks associated with the investment (e.g. statistics).

Up to 49 percent of the value of the respective investment fund may be used to acquire money market instruments for the investment fund in accordance with Section 6 of the "General Terms and Conditions of Investment". Money market instruments received under repurchase agreements contribute towards the respective investment limits.

## Bank deposits

The Company may hold bank deposits for the account of the Fund which have a maximum term of twelve months.

These deposits are to be held in blocked accounts at credit institutions that have their registered office in an EU Member State or another signatory of the Agreement on the European Economic Area. They can also be held with credit institutions that have their registered office in a third country where the supervisory provisions are equivalent to EU law in the opinion of BaFin.

The investment fund can invest up to 49 percent of its value in bank deposits with a maximum term of twelve months. These deposits are to be kept in blocked accounts at a credit institution with its registered office in a Member State of the European Union or another state signatory to the European Economic Area. In accordance with the Special Terms and Conditions of Investment, they can also be held at a credit institution with its registered office in a non-Member State.

## Other assets and their investment limits

The Company may invest up to 10 percent of the value of the Fund in the following other assets:

- Securities that are not admitted for trading on a stock exchange or admitted to or included in another organised market but otherwise satisfy the criteria for securities. In contrast to the traded or admitted securities, the reliable valuation for these securities must be available in the form of a valuation conducted at regular intervals that is derived from information from the issuer or a competent financial analysis. Suitable information about the non-approved or non-included security or, if applicable, the portfolio of the security must be available for the Fund in the form of regular and accurate information.
- Money market instruments from issuers that do not meet the requirements stated above if they are liquid and their value can be determined precisely at any time. "Liquid" money market instruments are those which can be disposed of within a sufficiently short time at a limited cost. It should be remembered that the Company is bound to redeem shares in the Fund should investors so require and be able to dispose of such money market instruments at short notice accordingly. There must also be a precise, reliable valuation system for the money market instruments which facilitates the determination of the net asset value of the money market instrument and

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is based on market data or valuation models (including systems based on amortised costs). The characteristic of liquidity is considered to have been met for money market instruments if these are admitted to or included in an organised market within or outside the EEA if BaFin has approved the choice of this market.

- Shares from new issues if
  - their issuing terms require that application be made for their admission to trading on a stock exchange or admission to or inclusion in an organised market in a Member State of the EU or another signatory to the Agreement on the European Economic Area, or
  - their issuing terms require that application be made for their admission to trading on a stock exchange or admission to or inclusion in an organised market outside the Member States of the EU or outside the other signatories to the Agreement on the European Economic Area, provided the choice of this stock exchange or organised market has been approved by BaFin,
  - provided the admission or inclusion of these securities takes place within one year of their issue.
- Borrower's note loans (Schuldscheindarlehen) that can be assigned at least twice after being acquired for the Fund and have been granted by one of the following institutions:
  - a) the German Federal Government, a special fund of the German Federal Government, a German federal state, the EU or an OECD Member State,
  - b) another domestic public authority or a regional government or local public authority of another Member State of the EU or another signatory to the Agreement on the European Economic Area if the claim can be treated according to the Regulation on prudential requirements for credit institutions and investment firms in the same way as a claim on the central government in whose sovereign area the regional government or public authority is located,
  - c) other corporations or entities under public law with registered offices in Germany or another Member State of the EU or another signatory to the Agreement on the European Economic Area,
  - d) companies that issue securities that are admitted for trading on an organised market within the EEA or are admitted for trading on another regulated market that satisfies the key requirements for regulated markets as defined by the current version of the Directive on markets in financial instruments, or
  - e) other debtors, provided that one of the agencies listed in letters a) to c) has guaranteed the payment of interest and principal.

## **Investment limits for securities and money market instruments including the use of derivatives and bank deposits**

### **General investment limits**

The Company may invest up to 10 percent of the value of the Fund in securities and money market instruments from a single issuer (debtor). At the same time, the total value of the

securities and money market instruments of these issuers (debtors) may not exceed 40 percent of the value of the Fund. In addition, the Company may only invest five percent of the value of the Fund in securities and money market instruments of the same issuer. Securities purchased under repurchase agreements are counted towards these investment limits.

The Company may only invest up to 20 percent of the value of the Fund in bank deposits at each credit institution.

## **Investment limit for debt securities with special covered assets**

The Company may invest up to 25 percent of the value of the Fund in mortgage bonds, municipal bonds and debt securities issued by any bank with its registered office in an EU Member State or in another state that is a party to the Agreement on the EEA. A prerequisite is that the assets assumed with the debt securities are structured so that they cover the liabilities of the debt securities for their entire term and are designated mainly for repayments and interest payments if the issuer of the debt securities defaults. If more than 5 percent of the value of the Fund is invested in such debt securities from the same issuer, the total value of these debt securities may not exceed 80 percent of the value of the Fund. Securities purchased under repurchase agreements are counted towards these investment limits.

## **Investment limits for public issuers**

The Company may invest up to 35 percent of the value of the Fund in debt securities, borrower's note loans (Schuldscheindarlehen) and money market instruments issued by specific national and supranational issuers in each case. Such public issuers include the German Federal Government, Federal States, EU Member States and their local corporations, non-member states and supranational public organisations to which one or more EU Member States belong.

The Company may invest more than 35 percent of the Fund's value in debt securities, bonded loans and money market instruments of one or more of the following issuers:

- the Federal Republic of Germany
- France
- UK
- Italy
- USA
- Japan

The securities/money market instruments of these issuers in the Fund must come from at least six different issues, with no one issue accounting for more than 30 percent of the value of the Fund.



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Securities purchased under repurchase agreements are counted towards these investment limits.

## Combination of investment limits

The Company may invest no more than 20 percent of the value of the Fund in a combination of the following assets:

- securities or money market instruments issued by one and the same body,
- deposits with this body, i.e. bank balances,
- allocable values for the counterparty risk of the transactions entered into with this body in derivatives, securities lending and repurchase agreements.

For specific publisher issuers (see

“Investment objectives, strategy, principles and limits –

Investment limits for securities and money market instruments including the use of derivatives and bank deposits –

Investment limits for public issuers”), a combination of the above-mentioned assets must not exceed 35 percent of the value of the Fund.

The various individual limits shall remain the same.

## Investment limits using derivatives

The amounts of securities and money market instruments of an issuer that are offset against the limits stated above can be reduced by the use of derivatives which move contrary to the market that are based on securities or money market instruments from the same issuer. This means that securities or money market instruments from a single issuer may be purchased for the account of the Fund even in an amount which exceeds the limits above if the increased issuer risk that this generates is reduced again by hedging transactions.

## Investment units and their investment limits

The Company may invest up to 10 percent of the value of the Fund in units in target funds, provided that these are open-ended domestic and foreign investment funds.

The target funds may in accordance with their investment conditions or their Articles of Incorporation invest no more than 10 percent in units of other open-ended investment funds. The following requirements apply in addition to units in AIF:

- The target fund must be authorised under laws which subject it to effective public supervision to protect investors, and there must be sufficient guarantee of satisfactory cooperation between BaFin and the supervisory authority of the target fund.
- The investors' protection level must be equivalent to that of an investor in a domestic UCITS, in particular with regard to the segregation of management and safe-

keeping of assets, borrowing, lending and the short selling of securities and money market instruments.

- The business of the target fund must be reported in annual and semi-annual reports to enable investors to make an assessment of the assets and liabilities, income and transactions over the reporting period.
- The target fund must be a public fund for which the number of units is not limited in terms of numbers and the investors have a right to redeem the units.

Only up to 10 percent of the value of the Fund may be invested in the units of a single target investment fund. Only up to 10% of the value of the Fund may be invested in AIF. The Company may not acquire more than 25 percent of the units issued by a target fund for the account of the Fund.

## Information to investors during suspension of redemption of target fund units

The target funds may temporarily suspend the redemption of units within the statutory framework. In this case the Company may not redeem the units in the target fund with the Management Company or target fund depositary against payment of the redemption price (refer also to the section on “Risk warnings - Risks in connection with investments in units”). The Company's website ([www.nomura-asset.de](http://www.nomura-asset.de)) provides information on whether, and in what amount, the Fund holds units of target funds that have currently suspended redemption.

## Derivatives

**The Company may trade in derivatives on behalf of the Fund as part of its investment strategy. This includes derivative transactions for efficient portfolio management and for generating additional income, i.e. also for speculative purposes. This may expose the Fund to more potential losses, at times at least.**

Derivatives are instruments whose prices are derived from price fluctuations or price expectations in respect of other assets (“underlyings”). The statements below apply both to derivatives and to financial instruments with derivative components (hereinafter collectively referred to as “derivatives”).

Using derivatives must not more than double the Fund's market risk (“market risk limit”). Market risks are loss risks due to fluctuations in the market value of assets the Fund holds which are due in turn to changes in variable market prices and/or rates such as interest rates, exchange rates, equity and commodity prices or changes in issuers' solvency (ratings). The Company must keep within its market risk limit at all times. The Company must verify how close to its market risk limit it is daily, in accordance with legal requirements deriving from the Ordinance on risk management and assessment when using derivatives, securities loans and pension transactions in investment funds under the capital investment code

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(hereinafter referred to as the “German Derivatives Ordinance (DerivateV”).

In order to determine the extent to which the market risk limit has been reached, the Company uses what is known as the qualified approach as defined in the German Derivatives Ordinance.

The two possible methods used to determine the extent to which the Fund has reached the market risk limit – the simple approach and the Qualified approach – are described in the following:

## Derivatives – simple approach

The applicable amounts of all derivatives as well as securities loans and repurchase transactions resulting in an increased level of investment are added together. The market value of the underlying will be taken as a basis for the total applicable amounts of derivatives and financial instruments with derivative components. The total applicable amounts for market risk through the use of derivatives and financial instruments with derivative components cannot exceed the value of the Fund assets.

The Company may only regularly purchase derivatives if it can, for the account of the Fund, acquire the underlyings of such derivatives or if the risks represented by the underlyings could have occurred through assets in the investment fund that the Company may acquire on behalf of the Fund. On behalf of the Fund, the Company may purchase:

- Basic forms of derivatives
- Combinations of these derivatives
- Combinations of these derivatives with other assets that may be acquired for the Fund

The Company can detect and measure all market risks in the Fund which are based on the use of derivatives with sufficient accuracy. It may pursue all permitted investment strategies. These include the following: Options strategies, arbitrage strategies or long/short or market-neutral strategies. More detailed information can be found in the semi-annual or annual reports of the Fund ([www.nomura-asset.de](http://www.nomura-asset.de)).

The Company may acquire the following types of derivatives for the account of the Fund:

- a) Futures contracts on securities, money market instruments, interest rates, exchange rates or currencies as well as financial indices that are diversified enough to provide an adequate reference basis for the market to which they relate and that are published appropriately (“qualified financial indices”),
- b) Options or warrants on securities, money market instruments, interest rates, exchange rates or currencies and on future contracts under a) as well as on qualified financial indices if the options or warrants have the following characteristics:
  - i) exercise is possible either during the entire term or at the end of the term and

- ii) the option value at the time of exercise depends linearly on the positive or negative difference between the exercise price and the market price of the underlying instrument and becomes zero if the difference has the other algebraic sign;
- c) Interest rate swaps, currency swaps or interest rate-currency swaps,
  - d) Options on swaps according to letter c), to the extent that they display the characteristics described in letter b) (swaptions),
  - e) Credit default swaps based on a single underlying (single name credit default swaps).

A negligible proportion of the investment strategy may be based on a “complex” strategy. The Company may also invest a negligible proportion in complex derivatives. A negligible proportion is assumed if this does not exceed 1 percent of the value of the Fund based on the maximum loss.

## Derivatives – qualified approach

In order to determine the extent to which the market risk limit has been reached, the Company uses what is known as the qualified approach as defined in the German Derivatives Ordinance. To this end, the Company compares the market risk of the Fund with the market risk of a virtual benchmark fund that does not include any derivatives. The derivative-free comparative assets are a theoretical portfolio, the value of which is equal to the current value of the Fund at all times, but does not involve increasing or hedging the market risk through using derivatives. The composition of the comparative assets must also be in line with the Fund's investment objectives and policy. The derivative-free comparative assets for the Fund consist of:

### 100 percent derivative-free investment fund

**Using derivatives must not more than double the risk value of the Fund's market risk compared to the risk value of the market risk of the corresponding derivative-free comparative assets at any time.**

The Fund's market risk, and that of the derivative-free comparative assets, is determined using a suitable own risk model (“value at risk method”). The Company uses the variance-covariance method with a Monte Carlo simulation add-on as a modelling procedure. With the variance-covariance method, also referred to as the delta-normal method, a multivariate normal distribution is used as a basis for changes to risk factors whereby its volatilities and correlations need to be estimated. It is assumed that the value changes of the portfolio result in linear dependency of the first order from the changes to the risk factors. The partial derivation of the value of a position/portfolio on the basis of a specific risk factor is described as sensitivity regarding this risk factor. The application of the variance-covariance method results in the assumption that the value changes of the portfolios in the model have a normal distribution. The value at risk (“VaR”) corresponds to the quantile of this distribution at the specified probability. If non-linear risks also arise in portfolios, they are taken into account by means of a Monte

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Carlo simulation. Non-linear products are particularly those that consist of options or contain these.

The Company records the market price risks from all transactions. Using the risk model, it calculates how much the value of the assets the Fund holds changes over time. The so-called value at risk indicates a limit on potential losses between two pre-set times, expressed in monetary units. Such changes in value are the result of random events, namely how market prices develop in future, so cannot be predicted with certainty. The market risk to be determined can thus only be estimated with a sufficient level of probability.

The Company may invest in any derivatives for the account of the Fund, provided it has a suitable risk management system. These derivatives must be based on assets the Fund is allowed to acquire, or on their underlyings, as follows:

- Interest rates
- Exchange rates
- Currencies
- Financial indices which are diversified enough to provide an adequate reference basis for the market to which they relate and which are published appropriately.

This includes, in particular, options, financial futures contracts, and swaps, as well as combinations thereof.

Futures contracts are agreements which bind both parties to buy or sell a set quantity of a specified underlying on a certain date, the final settlement date, or within a specified period of time, at a price fixed in advance. The Company may enter into futures contracts on securities and money market instruments that can be acquired for the Fund, interest rates, exchange rates or currencies as well as on qualified financial indices for the account of the Fund in accordance with the investment principles.

## Options transactions

In option contracts, a third party is granted the right, in exchange for consideration (option premium), to request the delivery or acceptance of assets or the payment of a balancing adjustment at a previously agreed price (underlying price) on a specified date or at the end of a specified period, or to acquire the corresponding option rights.

The Company may trade in options for the account of the Fund in accordance with the investment principles.

## Swaps

Swaps are agreements whereby the payment flows or risks underlying the transaction are swapped between the contracting parties. The Company may conclude interest rate swaps, currency swaps, interest rate-currency swaps, inflation swaps and variance swaps for the account of the Fund in accordance with the investment principles.

## Swaptions

Swaptions are options on swaps. A swaption is the right, but not the obligation, to enter into swaps specified under certain conditions on a specific date or within a specific period of time. In addition, the investment principles for option transactions shall apply. The only swaptions the Company may conclude for the account of the Fund are those which are a combination of the options and swaps as described above.

## Credit default swaps

Credit default swaps are credit derivatives which allow potential credit default to be transferred to other parties. In return for the transfer of the credit default risk, the seller of the risk pays a premium to its contractual partner. In other respects, the remarks on swaps apply mutatis mutandis.

## Securitised financial instruments

The Company may also acquire the financial instruments described above for the account of the Fund if these instruments are securitised. Transactions relating to financial instruments may also only partially be contained in securities (e.g. option bonds). The details on opportunities and risks also apply accordingly to such securitised financial instruments; however, the risk of loss deriving from securitised financial instruments may not be higher than the value of the security.

## OTC derivatives trading

The derivatives the Company may trade in for the account of the Fund comprise those which are admitted to trading on a stock exchange or admitted to or included in another organised market, and also off-market or so-called over-the-counter (OTC) transactions. Derivatives that are not admitted to trading on a stock exchange or admitted to or included in another organised market may only be transacted by the Company with suitable banks and financial institutions on the basis of standardised master agreements. For derivatives not traded on an exchange, the counterparty risk of a contractual party is limited to 5 percent of the value of the Fund. If the counterparty is a credit institution that has its registered office in the EU, in another state that is a party to the Agreement on the EEA or in a state that is not a member of either of those organisations but has a comparable level of supervision, the counterparty risk may total 10 percent of the value of the Fund. Derivatives traded over the counter which are executed with the central clearing house of a stock exchange or some other organised market as the contractual partner are not counted towards counterparty credit risk limits if the derivatives are subject to daily valuation at market prices with daily margin settlement. Any claims the Fund may have against an intermediary must be counted towards the limits, however, even if the derivatives involved are traded on a stock exchange or another organised market.



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## Securities lending transactions

If the Special Terms and Conditions of Investment of the Fund do not determine otherwise, the securities, money market instruments and investment units held in the Fund may be transferred to third parties in the form of a loan for standard market remuneration. The contractual partners are chosen individually depending on the portfolio composition. Here, the entire securities portfolio of the Fund may only be transferred as a loan for an indefinite period to third parties. The volume of the positions in the Fund that are the subject of lending transactions in relation to the fund assets is determined individually for each fund; restrictions can be found in the Special Terms and Conditions of Investment of the Fund. The Company always has the option to terminate the lending transaction. It must be agreed contractually that securities, money market instruments or investment units of the same type, value and volume shall be returned to the Fund at the end of the loan period within the usual settlement period. A requirement for transferring assets as a loan is that the Fund receives sufficient collateral. For this purpose, balances can be assigned and securities or money market instruments can be transferred or pledged. Income from investing this collateral is due to the Fund.

The borrower must also pay the interest on securities, money market instruments or investment units received as loans to the Depositary when due for the account of the Fund. All securities, money market instruments or investment units transferred to a single borrower may not exceed 10 percent of the value of the Fund.

The borrower shall decide how to keep safe the assets lent to it at its discretion.

The Company may make use of an organised system for brokerage and processing of securities loans. It is not necessary to grant collateral when brokering and processing securities loans via the organised system, since the system ensures that the interests of investors are protected. When processing securities loans using organised systems, the securities transferred to a borrower may exceed 10 percent of the value of the Fund.

The lending transactions described here are concluded in order to generate additional income for the Fund in the form of loan remuneration.

The Company may not lend money to third parties for the account of the Fund.

No securities lending transactions are currently concluded for the Fund. It is not excluded, however, that such transactions may be entered into in the future. If securities lending transactions are concluded for the Fund, potential conflicts of interest are identified in advance and considered in the context of the Company's management of conflicts of interest and risks relating to the performance of the investment fund and the direct and indirect charges and fees that are incurred due to the use of transactions and that reduce the Fund's income are analysed. A list of the current contractual partners for

securities lending transactions in this case can be found on [www.nomura-asset.de](http://www.nomura-asset.de).

## Repurchase agreements

The Company may conclude repurchase agreements with credit institutions and financial services institutions for the account of the Fund provided such agreements have a maximum term of 12 months. Depending on the provisions of the Special Contractual Terms and Conditions of the Fund, it may transfer securities, money market instruments or investment units of the Fund to a buyer against a fee (simple repurchase agreement), and receive securities, money market instruments or investment units under repurchase agreements in accordance with the applicable investment limits (reverse repurchase agreement). The Fund's entire portfolio of securities, money market instruments and investment units may be transferred to third parties by way of a repurchase agreement. The volume of the positions in the Fund that are the subject of lending transactions in relation to the fund assets is determined individually for each fund; restrictions can be found in the Special Terms and Conditions of Investment of the Fund. The Company may terminate repurchase agreements at any time, except those with a maturity of one week or less. Upon termination of a simple repurchase agreement, the Company is entitled to claim back the securities, money market instruments or investment units transferred under the repurchase agreement. On terminating a reverse repurchase agreement, the Company must either refund the full cash amount or the accrued cash value at the current market value. Repurchase agreements are only permitted in the form of what are referred to as genuine repurchase agreements. Under these, the buyer is required to return the securities, money market instruments or investment units at a given time or one the seller determines, or refund the cash value plus interest.

It is at the discretion of the Company how it keeps safe the assets received under repurchase agreements, just as it is at the discretion of the contractual partner how it keeps safe the assets transferred under repurchase agreements.

Repurchase agreements are concluded in order to generate additional income for the Fund (reverse repurchase agreement) or to temporarily create additional liquidity in the Fund (simple repurchase agreement).

No repurchase agreements are currently concluded for the Fund. It is not excluded, however, that such transactions may be entered into in the future. If repurchase agreements are concluded for the Fund, potential conflicts of interest are identified in advance and considered in the context of the Company's management of conflicts of interest.

The possible effects of potential conflicts of interest and risks relating to the performance of the investment fund and the direct and indirect charges and fees that are incurred due to the use of transactions and that reduce the Fund's income are analysed prior to the conclusion of repurchase agreements. A list of the current contractual partners for repurchase

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agreements in this case can be found on [www.nomura-asset.de](http://www.nomura-asset.de).

## Collateral strategy

Under derivatives, securities lending and repurchase transactions, the Company accepts collateral for the account of the Fund. This collateral is used to reduce the risk of the counterparties to such transactions defaulting, in full or in part.

## Types of collateral permitted

The Company currently only accepts cash collateral for derivative transactions/securities lending transactions and repurchase agreements. If non-cash collateral is also accepted in future, the Company will use a risk-oriented haircut. Only non-cash collateral will be accepted that comprises assets that may be acquired for the investment fund in accordance with the KAGB and that fulfil the additional requirements of Section 27(7) DerivateV and Section 200(2) KAGB.

## Extent of collateralisation

Securities lending transactions are collateralised in full. The market value of the securities lent plus the associated income gives the value of the collateral. The collateral the borrower is required to provide must not be less than the collateral value plus a usual market mark-up.

In addition, derivative transactions and securities lending and repurchase transactions must be sufficiently secured to ensure that the capital requirement for the default risk of each counterparty does not exceed five percent of the value of the Fund. If the counterparty is a credit institution that has its registered office in a Member State of the EU, in another state that is a party to the Agreement on the EEA or in another state which has a comparable level of prudential regulation, the default risk may total ten percent of the value of the Fund.

## Collateral management and haircut strategy

The Company currently only accepts cash collateral for derivative transactions/securities lending transactions/repurchase agreements. If non-cash collateral is also accepted in future, the Company will use a risk-oriented haircut.

## Investing cash collateral

Cash collateral in the form of bank deposits may be held in blocked accounts with the Depositary of the Fund or at another bank subject to the Depositary's consent. They may only be reinvested in high-grade government bonds or in money market funds with short maturity structures. Cash collateral in connection with reverse repurchase agreements may also be invested with credit institutions, provided it can be guaranteed that the accrued credit balance can be reclaimed at any time.

## Custody of securities as collateral

The Company may receive securities as collateral for the account of the Fund for derivative and securities lending transactions and repurchase agreements. If these securities have been transferred as collateral, they must be held at the Depositary. If the Company has received securities pledged as collateral for derivative transactions, they can also be held at another body that is subject to effective public supervision and is independent of the protection seller. The reuse of securities is not permitted.

## Borrowing

For the account of all investors, the Company may subscribe to short-term loans for amounts of up to 10 percent of the Fund if the terms of the loan are standard market terms and subject to approval of the conditions of the loan by the Depositary.

## Leverage

Leverage refers to the method that the Company uses to increase the level of investment of the fund (leverage). Such methods include in particular the conclusion of securities lending transactions, securities repurchase agreements and the acquisition of derivatives with embedded leverage. The Company may employ such methods for the Fund to the extent described in this sales prospectus. The possibility of using derivatives and concluding securities lending transactions and repurchase agreements is presented in

"Investment objectives, strategy, principles and limits – Assets – Derivatives and – Securities lending transactions and repurchase agreements". The possibility of borrowing is explained in "Investment objectives, strategy, principles and limits – Borrowing".

The Company may no more than double the Fund's market risk using the methods described above ("market risk limit") (see "Investment objectives, strategy, principles and limits – Assets – Derivatives" section). Short-term borrowing is not taken into account when calculating this limit. It limits the use of leverage in the Fund.

The leverage of the Fund is calculated from the ratio between the Fund's risk and its net asset value. The calculation of the net asset value is explained in the "Units" section, sub-section "Issue and redemption price". The Fund's risk is calculated using a gross method. It refers to the sum of the absolute values of all positions in the Fund, with the exception of bank deposits, which are valued in accordance with statutory requirements.

It is not permitted to offset individual derivative transactions or securities positions against such transactions or positions (i.e. netting and hedging agreements cannot be considered). Any effects from the reinvestment of collateral in securities lending and repurchase agreements are taken into account. The Company expects that the Fund's risk calculated using the

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gross method does not exceed its net asset value by more than 5 times. Leverage levels may fluctuate depending on market conditions, however, so the Company may find it has exceeded its target mark, despite monitoring matters constantly.

## Valuation

### General rules for valuation of assets

#### Assets admitted to a stock exchange or traded on an organised market

Assets which are admitted to trading on a stock exchange or admitted to or included in another organised market and subscription rights for the Fund are valued at the last available tradeable price that guarantees a reliable valuation, unless the "Specific rules for valuing individual assets" below specify otherwise.

#### Assets not listed on a stock exchange or traded on an organised market or that have no tradable price

Assets which are neither admitted to trading on a stock exchange nor admitted to or included in another organised market or for which no tradable price is available are valued at their current market value as is reasonably assessed with care using appropriate valuation models in consideration of current market conditions, unless the "Specific rules for valuing individual assets" below specify otherwise.

### Specific rules for valuing individual assets

#### Unlisted debt securities and borrower's note loans

For the valuation of debt securities not admitted for trading on a stock exchange or admitted to or included on another organised market (e.g. unlisted bonds, commercial papers and certificates of deposit) and for the valuation of borrowers' notes, the prices will be based on the prices agreed for comparable debt securities and borrowers' notes and, where applicable, the market values of bonds from comparable issuers with a corresponding term and interest rate with, if necessary, a deduction to take into account the reduced saleability.

## Options and futures contracts

The options belonging to the Fund and the liabilities from options granted to third parties that are admitted to trading on a stock exchange or admitted to or included in another organised market are valued at their respective last tradable price which ensures a reliable valuation.

This also applies to receivables and liabilities from futures contracts sold for the account of the Fund. Any margin calls paid at the expense of the Fund are added to the value of the Fund, taking into account any valuation gains and valuation losses determined on the relevant exchange trading day.

## Bank deposits, fix-term deposits, investment fund units and loans

Bank deposits are valued in principle at their net value plus interest accrued.

Fix-term deposits are valued at their market value, provided they can be terminated at any time and are not refunded at nominal value plus interest when terminated.

Investment fund units are generally valued at their last determined redemption price or the last available traded price which ensures a reliable valuation. If no such valuations are available, investment fund units are valued at their current market value as is reasonably assessed with care using suitable valuation models, taking current market conditions into account.

Redemption claims arising out of lending transactions are governed in principle by the market value of the assets lent.

## Assets denominated in foreign currencies

Assets denominated in foreign currencies are translated using the exchange rate for the currency into euros determined by Reuters AG at 17:00.

## Sub-funds

The **Nomura Real Protect Fonds** is not a sub-fund under an umbrella structure.

## Units

The rights of investors are represented exclusively by global certificates. These global certificates shall be held by a central securities depository. Investors have no right to expect issue of individual certificates. Units can only be purchased from a custodian. Units are registered in the investor's name.

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## Issuing and redemption of units

### Issue of units

In principle, there is no limit to the number of units that may be issued. Units may be acquired from the Company, the Custodian, or through third parties. The Depositary will issue any such units at their issue price, which is equal to their net asset value per unit ("unit value") plus any front-end load charged. They may also be acquired by intermediation of third parties, although this may involve additional costs. The Company reserves the right to temporarily or completely suspend the issue of units, in whole or in part.

Any minimum investment amount can be found in the overview of unit classes.

### Redemption of units

Investors can demand the redemption of units on each valuation date regardless of the minimum investment amount (if there is such an amount), provided that the Company has not temporarily suspended the redemption of units (see "Suspension of redemption"). Redemption orders must be submitted to the Depositary or the Company. The Company is obliged to redeem units at the redemption price valid on the settlement date, which is equal to the unit value – less a redemption fee, if applicable – calculated on that date. Units may also be redeemed by intermediation of third parties, which may incur additional costs.

### Settlement of unit issue and redemption

The Company is committed to treating all investors equally by ensuring that no investors can obtain advantages by buying or selling units at unit values already known. It therefore sets a daily order acceptance deadline. Issue and redemption orders which the Depositary or Company receive by the order acceptance deadline will be settled at the latest on the valuation date following that on which those orders are received (= settlement date) at their unit value then determined. Orders which reach the Depositary or Company after the order acceptance deadline will not be settled until the next valuation date but one (= settlement date) at their unit value then determined. The order acceptance deadline for this Fund is published on the Company's website at [www.nomura-asset.de](http://www.nomura-asset.de). The Company may change the deadline at any time.

In addition, third parties, such as the investor's custodian, may act as brokers in the issue and redemption of units. These may take longer to settle. The Company has no influence with regard to the various settlement modalities of the entities maintaining the investor's custody accounts.

### Suspension of redemption of units

The Company may temporarily suspend the redemption of units under extraordinary circumstances that make suspension

appear necessary when the interests of investors are taken into account. Such extraordinary circumstances include, for example, if there is an unscheduled closing of a stock exchange on which a significant portion of the securities of the Fund are traded or if the assets of the Fund cannot be valued. BaFin may also order the Company to suspend the redemption of units if this is required in the interests of investors or the public.

The Company reserves the right not to redeem or exchange units at the redemption price applicable at the time until it has disposed of assets of the Fund without delay but in accordance with the interests of all investors. Temporary suspension may directly result in the dissolution of the investment fund if the redemption of units is not resumed (see "Liquidation, transfer and merger of the Fund").

The Company will notify investors that it is suspending and resuming the redemption of units by publishing notices in the Federal Gazette and also on the Company's website at [www.nomura-asset.de](http://www.nomura-asset.de). Furthermore, investors will be informed by the entities maintaining their custody accounts on a permanent data medium, for example electronically or in paper form.

## Liquidity management

The Company has laid down written rules and procedures for the Fund which enable it to monitor the liquidity risks of the Fund and ensure that the liquidity profile of the Fund's investments covers its underlying liabilities. The rules and procedures include:

- The Company monitors the liquidity risks which may arise at the level of the Fund or the assets. In the process, it assesses the liquidity of the assets held in the Fund in relation to the Fund assets and establishes a liquidity ratio. The liquidity assessment includes, for example, an analysis of the trading volume, the complexity of the asset, the number of trading days needed to sell the respective asset without any effect on the market price. The Company also monitors investments in target funds and their redemption policies and the resulting potential impact on the liquidity of the Fund.
- The Company monitors the liquidity risks that may arise due to increased requests from investors to redeem units. Here it establishes expectations of changes in net cash flows in consideration of available information on the investor structure and experience of historical changes in net cash flows. It takes into account the effects of call risks and other risks (e.g. reputational risks).
- The Company has set adequate limits for liquidity risks for the Fund. It monitors compliance with these limits and has defined procedures for the event that the limits are exceeded or may be exceeded.
- The Company's procedures ensure consistency between the liquidity ratio, the liquidity risk limits and the expected changes in net cash flow.

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The Company reviews these policies periodically and updates them accordingly.

The Company conducts stress tests regularly, at least once a month that enable it to assess the liquidity risks of the Fund. The Company conducts stress tests based on current, reliable quantitative or, if this is not suitable, qualitative information available. This includes investment strategies, redemption periods, payment liabilities and deadlines within which assets may be disposed of and information as to how investors are behaving generally and market developments. The stress tests simulate situations in which the Fund's assets are insufficiently liquid and atypical requests (in number and scope) are made for unit redemptions. They cover market risks and their effects, including margin calls, collateral and credit line requirements. The take into account valuation sensitivities under stress conditions. They are carried out in consideration of the Fund's investment strategy, liquidity profile, investor profile and redemption principles at a frequency that is suitable for the nature of the Fund.

Redemption rights both in normal and exceptional circumstances as well as the suspension of redemption are presented in "Units – Issue and redemption of units – Suspension of redemption of units". The risks associated herewith are described under "Risk warnings – Risks of investing in the Fund – Suspension of redemption of units" and "– Risks of limited liquidity of the Fund (liquidity risk)".

## Stock exchanges and markets

The Company may admit the Fund's units to a stock exchange or organised markets; the Company currently does not make use of this option.

It cannot be ruled out that the units will be traded on markets without the Company's consent. Third parties can arrange for the units to be included in outside markets or other over-the-counter trading without the Company's consent.

The market price underlying exchange trading or trading on other markets is not determined exclusively by the value of the assets held in the Fund; the price is also determined by supply and demand. For this reason, this market price may differ from the unit value determined by the Company or Depositary.

## Unit classes

Unit classes within the meaning of Section 16(2) of the "General Terms and Conditions of Investment" that differ with respect to the appropriation of income, the front-end load, the management fee, the currency of the unit value including the use of currency hedging transactions, the minimum investment amount or a combination of these factors may be formed for the investment fund. Unit classes may be formed at any time at the Company's discretion.

Entering into currency hedging transactions exclusively for the benefit of a single currency unit class is permitted. For foreign currency unit classes which are FX hedged in favour of the

currency in which those unit classes are denominated (reference currency), the Company may also, regardless of the provisions of Section 9 of the "General Terms and Conditions of Investment", use derivatives on FX rates or currencies within the meaning of Section 197(1) KAGB with a view to preventing unit value losses through exchange rate losses of assets of the UCITS investment fund which are not denominated in the reference currency.

The unit value is calculated separately for each unit class by allocating the costs of establishing new unit classes, distributions (including any taxes to be paid from the Fund assets), management fees, and the profits or losses from exchange rate hedging transactions that are attributable to a specific unit class, including any earnings equalisation, exclusively to that unit class.

The Prospectus and the annual and semi-annual reports provide an itemised list of existing unit classes. The characteristics that define unit classes (appropriation of income, front-end load, currency of the unit value, management fee, minimum investment amount or a combination of these features) are described in detail in the Prospectus and in the annual and semi-annual reports.

The up-to-date list of unit classes can be found on page 2 of the Prospectus.

## Fair treatment of investors

The Company has a duty to treat investors in the Fund fairly. In managing liquidity risks and redeeming units, it may not put the interests of any investor or group of investors ahead of those of any other investor or group of investors.

Please see "Settlement of unit issue and redemption" and "Liquidity management" for information on the methods by which the Company ensures the fair treatment of investors.

## Issue and redemption prices

On each valuation day, BNY Mellon Service Kapitalanlage-Gesellschaft mbH, Frankfurt (BSK) shall determine the value of the assets of the Fund less liabilities (the net asset value) for the purpose of calculating the issue and redemption prices for the units.

The value of the Fund's units is determined on all trading days. The Company and Depositary are not required to determine a value on statutory public holidays which are stock exchange trading days within the jurisdiction of the KAGB or on 24 or 31 December of each year. Currently, the unit value is not calculated on New Year's Day, Good Friday, Easter, Easter Monday, May Day, Ascension Day, Pentecost, Pentecost Monday, Corpus Christi, the Day of German Unity, Christmas Eve, Christmas Day, Boxing Day and 31 December.



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## **Suspension of calculation of issue and redemption prices**

The Company can temporarily suspend calculation of the issue and redemption prices under the same conditions that apply to suspension of unit redemption. These are described in more detail in "Units – Suspension of redemption of units".

## **Front-end load**

When the issue price is determined, a front-end load shall be added to the unit value. The front-end load for the investment fund Nomura Real Protect Fonds (all unit classes) 2 percent of the unit value. The front-end load may reduce or even completely offset the Fund's performance, especially if the investment is held for a short period. The front-end load is essentially a reward for marketing the units in the Fund. The Company can pass on the front-end load to brokers to compensate them for their sales services.

## **Redemption fee**

A redemption fee is not currently charged.

## **Publication of the issue and redemption prices**

Issue and redemption prices, and if applicable the net asset value per unit, are published at [www.nomura-asset.de](http://www.nomura-asset.de) and in various daily and business newspapers and electronic media upon each issue and redemption.

## **Charges**

### **Charges related to the issue and redemption of units**

The Company and/or Depositary issue and redeem units at their issue price (unit value plus front-end load) and redemption price (unit value) respectively, without any additional charges.

If the investor acquires units through third parties, these may have charges that are higher than the front-end load. If the investor redeems units through third parties, these may have their own charges for redeeming units.

## **Administration and other costs**

### **Management fee**

1. For managing the investment fund, the Company receives a fee daily of  $\frac{1}{365}$  (in leap years:  $\frac{1}{366}$ ) of up to 1 percent of the net asset value of the investment fund determined daily (currently 0.35 percent for the

unit classes Class I/EUR, Class I/EUR 2 and Class I/USD; and 0.72 percent for the unit class Class R/EUR).

2. The Company pays an annual fee of up to 0.1% of the average value of the Fund on the basis of the net asset value determined on each trading day from the investment fund for market risk and liquidity risk measurement pursuant to DerivateV by third parties.

The amount taken as fees each year from the investment fund in accordance with Nos. 1 and 2 may accordingly amount to up to 1.1 percent of the average value of the investment fund on the basis of the net asset value determined on each trading day.

If the Company initiates, prepares or conducts securities lending transactions and repurchase agreements, it receives a fee. This amounts to **up to** 40 percent of the income from these transactions.

Additional charges may be incurred in connection with securities lending transactions and repurchase agreements. These include:

- Depositary fee;
- Standard bank fees, including any standard bank charges for holding foreign securities in custody abroad;
- The fees to be paid to external service providers that provide services to the Company for purposes of carrying out transactions;
- Other direct or indirect costs which reduce the Fund's income.

These further costs of doing business are charged to the Fund. If the charges exceed the income generated, they are borne by the Company. Otherwise the Fund receives the income.

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## Third-party fees

### Fee for the Depositary

The fee for the Depositary for the investment fund is a daily 1/365 (in leap years: 1/366) of up to 0.1 percent of the net asset value determined daily.

## Expenses

The following expenses may also be charged to the Fund:

- Standard custody and account fees, including any standard bank charges for holding foreign securities in custody abroad;
- Costs of printing and dispatching legally prescribed sales documents intended for investors (Prospectus, annual and semi-annual reports, key investor information document);
- Expenses for publication of the annual and semi-annual reports, issue and redemption prices and, if applicable, distributions or reinvestments, and the liquidation report;
- Fees for the audit of the Fund by the Company's auditor;
- Costs of publishing the tax bases and the certification that the tax information has been determined in accordance with the provisions of German tax law;
- Expenses resulting from the purchase and sale of assets (transaction costs);
- Any taxes that may arise in connection with the costs for administration and custody;
- Costs for the assertion and enforcement of the Fund's legal claims and defending claims asserted against the Company at the expense of the investment fund;
- Costs for providing information to the Fund's investors on durable media, e.g. in written or electronic form, with the exception of information on fund mergers and information on measures related to violations of investment limits or calculation errors in the determination of unit value;
- Fees and costs levied by the state authorities in relation to the investment fund;
- Costs for legal and tax advice in relation to the investment fund;
- Costs and any charges which may arise in connection with acquiring and/or using or designating a benchmark or financial index;
- Costs for appointing proxies with voting rights;

## Particular points to note when acquiring investment units

In addition to its fee for managing the Fund, the Company also charges a management fee for the units in target funds that the Fund holds.

Furthermore, the expenses at target fund level listed in "Administration and other costs" are indirectly borne by the investment fund's investors.

Front-end loads and redemption fees that have been charged to the Fund in the reporting period for the purchase and redemption of units in target funds are published in the annual and semi-annual reports. In addition, the fee charged to the Fund by a domestic or foreign company or a company affiliated with the Company due to a significant direct or indirect participation is disclosed as a management fee for the target fund units held in the Fund.

## Disclosure of a total expense ratio

The annual report includes information on the administrative costs incurred at the Fund's expense in the financial year and shows this as a proportion of the average Fund volume ("total expense ratio"). Administrative costs consist of the fee for managing the Fund, including any performance-related fee, the Depositary fee and expenses that may be charged to the Fund (see "Charges – Administration and other costs" and "– Particular points to note when acquiring investment units"). The total expense ratio does not include incidental costs and costs incurred upon the purchase and sale of assets (transaction costs). The total expense ratio is published in the key investor information document as "ongoing costs".

## A different cost statement by distributors

If the investor is advised by third parties when purchasing units or these act as agents for this purchase, the third parties will, where applicable, disclose costs or expense ratios to the investor that are not congruent with the cost information in this prospectus and the key investor information, and that may exceed the total expense ratio described here. One particular reason for this is that the third party has to give further consideration to the costs of its own activities (e.g. brokerage, advice or portfolio management). In addition, the third party may have to take one-off costs such as issue surcharges into consideration and will usually use other calculation methods or estimates for the costs incurred at fund level, including, in particular, the Fund's transaction costs.

Deviations from the cost statement may arise both in information before conclusion of the contract and in regular cost information pertaining to existing Fund investment in the context of a lasting customer relationship.

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## Remuneration policy

The Company's remuneration policy and practices consist of general and special regulations. The general regulations are applicable to all Company employees. The special regulations apply to "identified employees" as defined by the ESMA Guidelines on sound remuneration policies in addition. The "identified employees" include "code staff", i.e. the managing directors of the Company, the head of portfolio management and his deputy, and "control functions staff", namely employees in the areas of compliance, money laundering and risk management.

The remuneration policy is in accordance with the Company's strategic objectives. It is connected to the guidelines, objectives and parameters related to the corporate management of the Company.

Further details on the Company's current remuneration policy are published online at [www.nomura-asset.de](http://www.nomura-asset.de). This includes a description of the methods for calculating remuneration and benefits for certain groups of employees, as well as details of those responsible for allocating such amounts including members of the Remuneration Committee. The Company shall provide this information in paper form, free of charge, upon request.

## Performance, determination and appropriation of income, financial year

### Performance

#### Past performance

The Fund's past performance is shown in the graph on page 2 of the Prospectus.

**Past performance of the Fund is not a predictor of future performance.**

## Determination of income, income equalisation procedure

The Fund earns income in the form of interest, dividends and income from investment units that arise during the financial year and are not used to cover costs. Income is also generated by fees from lending transactions and repurchase agreements. Other income may be obtained from disposing of assets held on behalf of the Fund.

The Company uses so-called income equalisation in respect of the Fund. This prevents the proportion of distributable income from the unit price from fluctuating as a result of cash inflows and outflows. Otherwise, any cash inflow in the Fund during the financial year would mean that there would be less income available for distribution for each unit on the distribution dates

than there would be if the number of units in circulation were constant. Cash outflows would, by contrast, result in more income being available for distribution for each unit than there would be if the number of units in circulation were constant.

To prevent this, distributable income that unit purchasers must pay as part of the issue price and that the seller of units receives as part of the redemption price is calculated during the financial year on an ongoing basis and reported in the income statement as a distributable item. In this regard, it is accepted that investors who, for example, acquire units shortly before the distribution date will receive back that portion of the issue price attributable to income in the form of a distribution although their paid-in capital did not contribute to the generation of such income.

## Appropriation of income and financial year

Considering the income equalisation, the Company each year generally distributes to investors within four months after the end of the financial year the interest, dividends and income from investment units and fees from lending transactions and repurchase agreements that have accrued for the account of the Fund during the financial year and that have not been used to cover costs. Considering the income equalisation, realised gains on disposals and other income can also be applied toward distributable income.

Distributable income pursuant to Paragraph 1 may be carried forward for distribution in subsequent financial years if the amount of the income carried forward does not exceed 15 percent of the respective value of the investment fund at the end of the financial year. Income from short financial years can be carried forward in full.

In the interest of the maintenance of assets, income can be partially, in special cases even completely, earmarked for reinvestment in the investment fund.

If the units are held in a securities account with the Depositary, its branches will credit distributions free of charge. Additional costs may be incurred if the securities account is maintained with another bank or savings bank.

The Fund's financial year ends on 31 March.



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## Liquidation, transfer and merger of the Fund

### Preconditions for winding up the Fund

Investors do not have the right to demand that the Fund be wound up. The Company may terminate its right to manage the Fund with not less than six months' notice by way of publication in the Federal Gazette and also in the annual or semi-annual report. Investors will also be informed about the termination by the entities maintaining their custody accounts on a permanent data medium, for example electronically or in paper form. The Company will cease to be authorised to manage the Fund once the termination takes effect.

The Company's right to manage the Fund will also lapse if insolvency proceedings are opened in respect of its assets or the court ruling dismissing an application to open such proceedings for want of assets is upheld in law.

When the Company loses its authority to manage, the right to dispose of the Fund will pass to the Depositary, who will wind up the Fund and distribute the proceeds to the investors or transfer the management to another capital management company if BaFin so consents.

### Procedure for the dissolution of the Fund

When the right to dispose of the Fund passes to the Depositary, no further units will be issued or redeemed, and the Fund will be wound up.

The proceeds from disposing of the assets of the Fund, less the costs still to be borne by the Fund and the costs involved in winding it up, will be distributed to the investors, with each investor being entitled to have a portion of those proceeds pro rata in proportion to their units in the Fund.

The Company will prepare a liquidation report which conforms to the requirements for an annual report on the day its management rights are extinguished. The liquidation report will be published in the Federal Gazette within no more than three months of the date on which the Fund is wound up. While the Depositary is winding up the Fund, it will produce reports annually and on the day it completes the winding up which meet the requirements of an annual report. These reports must also be published in the Federal Gazette within no more than three months of the effective date.

### Transfer of the Fund

The Company may transfer the management and disposal rights over the Fund to another capital management company. The transfer requires the prior approval of BaFin. The approved transfer shall be published in the Federal Gazette and also in the Fund's annual or semi-annual report. Investors will also be informed about the planned transfer by the entities maintaining their custody accounts on a permanent data medium, for example electronically or in paper form. The time at which the transfer becomes effective is determined in

accordance with the contractual agreements between the Company and the receiving capital management company. The transfer may, however, become effective no earlier than three months after its publication in the Federal Gazette. All rights and obligations of the Company in relation to the Fund are then transferred to the receiving capital management company.

### Preconditions for the merger of the Fund

Subject to BaFin's consent, all the assets of this Fund may be transferred to another existing investment fund or one to be created by virtue of the merger which must meet the requirements of an UCITS issued in Germany or another EU or EEA Member State.

This transfer will take effect as of the transferring fund's financial year end (transfer date) unless another transfer date is decided.

### Rights of investors if the Fund is merged

Up to five working days before the transfer date as planned, investors may either redeem their units with no redemption fee or other charges other than the costs involved in dissolving the Fund, or exchange them for units in another open-ended mutual fund which is also managed by the Company or by another company within the same group whose investment principles are comparable with those of the Fund.

The Company must inform the Fund's investors of the reasons for the merger, the potential effects on investors, their rights in connection with the merger and relevant procedural aspects before the planned transfer date on a durable medium, such as in paper or electronic form. Investors should also be provided with the key investor information document for the investment fund to which the Fund's assets are being transferred. Investors must receive the above information at least 30 days prior to expiry of the deadline for redemption or exchange of their units.

On the transfer date, the net asset values of the Fund and the receiving investment fund will be calculated, the conversion ratio determined and the auditor will audit the entire transfer process. The conversion ratio will be based on the ratio of the net asset values of each unit in the Fund and in the receiving investment fund at the time of acquisition. Investors receive the number of units in the receiving investment fund that corresponds to the value of their units in the Fund.

Any investors who do not exercise their rights to redeem or exchange will become investors in the receiving investment fund as of the transfer date. The Company may also decide, with the management company of the receiving investment fund if applicable, that investors in the Fund may be paid up to 10 percent of the value of their units in cash. The Fund will cease to exist once all its assets are transferred. If the transfer is carried out during the course of the Fund's current financial year, the Company must produce a report on the transfer date which meets the requirements of an annual report.

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The Company shall announce in the Federal Gazette and also in a business or daily newspaper with sufficient circulation or in the electronic information media described in this Prospectus if the Fund has been merged with another investment fund managed by the Company and the merger has become effective. Should the Fund be merged with another investment fund which the Company does not manage, the management company which manages the receiving or the newly created investment fund will be responsible for announcing the merger.

## Outsourcing

The Company has outsourced the following activities:

- Internal audit:
  - Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main
- Accounting, personnel administration, IT services and disaster recovery:
  - Nomura International plc, German Branch, Frankfurt am Main
- Determination of risk figures in accordance with DerivateV:
  - BHF-Bank AG, Frankfurt am Main
- Fund accounting and use of the Xentis front office system. The Company's fund accounting has been outsourced to BNY Mellon Service Kapitalanlage-Gesellschaft mbH (BSK), Frankfurt. The Company remotely uses the technical infrastructure of BSK in the form of front office software for management and trading of portfolios and ex-ante limit checks.

## Conflicts of interest

The following conflicts of interest may arise at the Company:

The interests of the investors may conflict with:

- Interests of the Company and companies affiliated with it,
- Interests of the Company's employees, or
- Interests of other investors in this or other funds.

The circumstances and relations which may give rise to conflicts of interest include in particular:

- incentive schemes for the Company's employees,
- employee transactions,
- gifts to the Company's employees,
- restructuring in the Fund,
- improvement of the Fund performance on the balance sheet date ("window dressing"),
- transactions between the Company and the investment funds or individual portfolios it manages, or

- transactions between the investment funds and/or individual portfolios it manages,
- combining a number of orders ("block trades")
- engagement of affiliated companies and persons,
- Individual investments of a considerable size,
- If, after the oversubscription of a share issue, the Company has subscribed to securities for multiple investment funds or individual portfolios ("IPO allocations"),
- Transactions after the close of trading at the already known closing price of the current day, so-called late trading.

The Company may incur transaction-related costs on behalf of the Fund for beneficial services (such as broker research, financial analyses, market and price information systems), which are used to make investment decisions in the interests of investors.

The Company receives no portion of the fees and reimbursements of expenses paid to the Depositary and third parties from the Fund.

The Company pays intermediaries, e.g. financial institutions, recurring (generally annual) agency fees, otherwise known as "trailer fees".

The organisational measures the Company employs in dealing with conflicts of interest, identifying, preventing, managing, monitoring and disclosing them are as follows:

- Existence of a Compliance department, which monitors compliance with laws and regulations and to which conflicts of interest must be reported.
- Duties of disclosure
- Organisational measures, such as
  - Establishing areas of confidentiality for individual departments, in order to prevent the misuse of confidential information
  - Allocation of responsibilities, in order to prevent improper influence
  - Separation of proprietary and client trading
- Code of conduct for employees covering employee transactions, obligations for compliance with insider-trading regulations
- Establishment of appropriate remuneration systems
- Principles for considering client interests and for advice that is appropriate for both the investor and the investment and compliance with the agreed investment guidelines
- Principles for the best possible execution on the purchase or sale of financial instruments
- Principles for the allocation of partial executions
- Establishment of order submission deadlines (cut-off times)

## Summary of tax regulations

Information about the tax regulations is valid only for investors who are fully liable for tax in Germany. We recommend that, before acquiring units in the Fund described in this Prospectus, foreign investors consult their tax advisors in order

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to clarify possible tax implications arising in their own country of residence as a result of the acquisition of units.

As a special-purpose vehicle, the Fund is exempt from corporation tax and trade tax. The taxable income of the Fund will be subject to income tax for private investors, however, as income from capital assets if, together with other capital gains, this exceeds the saver's allowance applicable at the time<sup>1</sup>.

Income from capital assets is generally subject to a tax deduction of 25 per cent (plus solidarity surcharge and any applicable church tax). Income from capital assets also includes income distributed by the Fund, distribution-equivalent income, interim profits and profits on acquisitions and disposals of fund units if acquired after 31 December 2008.<sup>2</sup>

The tax deduction qualifies in principle as final settlement as far as private investors are concerned (referred to as flat-rate withholding tax), which means that they do not normally need to declare income from capital assets in their income tax returns. When making the tax deduction, the Custodian will as a rule already have offset losses and taken foreign withholding taxes into account.

The tax deduction may not have final effect in some cases, however, if an investor's personal tax rate is less than the flat rate of 25 per cent. In this case, the income from capital assets can be reported in the income tax return. The tax authorities will then take the lower personal tax rate and allow the tax deducted from the investor's personal tax liability ('favourable tax treatment').

Income from capital assets that has not been subject to a tax deduction (e.g. because the income was earned from the disposal of fund units held in a foreign custody account), must be reported in the tax return. When tax is assessed, this income from capital assets will also be subject to the flat rate of 25 per cent or the personal tax rate, whichever is lower.

If the units are included in operating assets, the income will be taxable as operating income. Tax regulations require that different sources of income be broken down for the calculation of the income liable to income tax or capital gains tax.

## Units held in personal assets (taxpayers resident in Germany)

### Gains from the sale of securities, gains from futures contracts and income from option writer premiums

Gains from the sale of shares, units in investment funds, equity-like participation rights, gains from futures contracts and income from option writer premiums that are generated at the level of the Fund are not reported by the investor until they are distributed. In addition, gains from the sale of the following

debt securities (so-called "good debt securities") are not reported for investors if they are not distributed:

- a) Debt securities with an issue yield,
- b) "Normal" bonds and unsecuritised fixed-coupon receivables and down-rating bonds, floaters and reverse floaters,
- c) Risk certificates which reflect the price of a share or published index for a majority of shares on a 1:1 basis,
- d) Reverse convertible bonds, swaps and convertible bonds,
- e) Income bonds and debt participation rights traded flat (without showing interest accrued), and
- f) "cum" warrants.

Gains from the sale of the securities/debt securities described above, gains from futures contracts and income from option writer premiums that are distributed are taxable and if the units are held in Germany they are subject to a tax deduction of 25 per cent (plus solidarity surcharge and, if applicable, church tax). However, gains distributed on the sale of securities and from futures contracts are tax-free if the securities were acquired at fund level before 1 January 2009 or the futures contracts were entered into before 1 January 2009.

Gains or losses on the sale of debt securities that are not included in the above list are treated as interest income for taxation purposes (see below).

## Interest, dividends and other income

As a rule, investors are subject to tax on interest, dividends and other income. This applies regardless of whether such income was reinvested or distributed. It is generally subject to a tax deduction of 25 per cent (plus solidarity surcharge and any applicable church tax).

The tax deduction can be dispensed with if the investor is a German taxpayer with an exemption order for capital gains, provided the taxable income does not exceed the applicable saver's allowance<sup>3</sup>.

This also applies on presentation of a certificate for persons that are not expected to be jointly subject to income tax (so-called non-assessment certificate, hereinafter referred to as the "NA certificate").

If a domestic investor holds units of a distributing investment fund under tax law in a domestic custody account, the custodian, as the paying agent, will not deduct tax if, prior to the established distribution date, it receives an exemption order in the official format for a sufficient amount or a non-assessment certificate issued by the tax office for a maximum of three years. In this case the investor is credited the full distribution without deductions.

<sup>1</sup> As of 2009, the saver's allowance is EUR 801 for individuals and EUR 1,602 for couples filing jointly.

<sup>2</sup> Gains from the sale of fund units acquired before 1 January 2009 are tax exempt for private investors.

<sup>3</sup> As of 2009, the saver's allowance is EUR 801 for individuals and EUR 1,602 for couples filing jointly.

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For the tax deduction of an investment fund that does not distribute dividends on its income, the fund will provide the custodians with the capital gains tax in addition to the maximum payable additional taxes (solidarity charge and church tax). The custodians deduct the tax as for distributions, taking into account the personal circumstances of investors, so that church tax is deducted if applicable. The Fund is reimbursed any amounts made available to the custodians that do not need to be deducted.

If the units are in a domestic custody account, investors who have provided their custodian with an exemption order for a sufficient amount or a non-assessment certificate before the end of the financial year of the Fund, have the amount made available to the custodian credited to their account.

If the exemption order or non-assessment certificate is not submitted or is not submitted in time, the investor will receive, on request, a tax certificate from the custodian stating the amount of tax withheld and deducted and the solidarity surcharge. The investor can then offset this tax deduction against their personal tax liability in their income tax return.

If units of a distributing investment fund are not held in a custody account and coupons are presented to a domestic credit institution (personal custody), the deduction of 25 per cent tax plus the solidarity surcharge will be made.

## Negative taxable income

If negative income exceeds positive income of the same type at fund level after netting, this negative income is carried forward at fund level for tax purposes. This may be offset at fund level against future positive taxable income of the same type in subsequent years. It is not possible for investors to directly offset negative taxable income. These negative amounts therefore do not affect the investor's income tax until the assessment period (tax year) in which the Fund's financial year ends or in which distribution is made for the financial year of the Fund for which the negative taxable income is offset at the level of the Fund. Investors are not able to offset these losses against income tax any earlier.

## Capital distributions

Capital distributions are not subject to tax. However, capital distributions received by investors during their period of ownership are added to the taxable results from the sale of fund units, i.e. they increase taxable gains.

## Capital gains at investor level

If a private investor sells investment fund units that were acquired after 31 December 2008, gains on the sale are subject to the tax deduction of 25 per cent. If the units were held in a domestic custody account, the custodian makes the tax deduction. The tax deduction of 25 per cent (plus solidarity surcharge and, where applicable, church tax) can be avoided through the submission of an exemption order for a sufficient

amount or a non-assessment certificate. If such units are sold by a private investor at a loss, this loss can be offset against other positive investment income from capital assets. If the units are held in a domestic custody account and positive income from capital assets was generated at the same custodian in the same calendar year, the custodian shall offset the loss.

If private investors sell units acquired before 1 January 2009, such capital gains are tax exempt.

When calculating capital gains, interim profits achieved at the time of acquisition must be deducted from the acquisition costs and interim profits achieved at the time of sale must be deducted from the sale price in order to avoid duplicate income taxation on interim profits (see below). In addition, the sale price must be reduced by the reinvested gains on which the investor has already paid taxes in order to avoid double taxation.

Gains on the sale of units acquired after 31 December 2008 are tax-exempt to the extent that they are attributable to income that is tax-exempt under a double taxation agreement (hereinafter "DTA") that is realised during the term of holdings in the fund and that has not been reported at investor level (so-called gains on holdings of real estate proportional to time held).

The Company publishes the real estate gains valued daily as a percentage of the unit value of the Fund.

## Units held in operating assets (taxpayers resident in Germany).

### Gains from the sale of securities, gains from futures contracts and income from option writer premiums

Gains from the sale of shares, units in investment funds, equity-like participation rights, gains from futures contracts and income from option writer premiums that are generated at the level of the Fund are not reported by the investor until they are distributed. In addition, gains from the sale of the following debt securities (so-called "good debt securities") are not reported for investors if they are not distributed:

- a) Debt securities with an issue yield,
- b) "Normal" bonds and unsecuritised fixed-coupon receivables and down-rating bonds, floaters and reverse floaters,
- c) Risk certificates which reflect the price of a share or published index for a majority of shares on a 1:1 basis,
- d) Reverse convertible bonds, swaps and convertible bonds,
- e) Income bonds and debt participation rights traded flat (without showing interest accrued), and
- f) "cum" warrants.

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If such gains are distributed, they represent taxable income for investors. Gains on the sale of shares are fully<sup>4</sup> tax exempt (for investors that are corporations) or 40 per cent tax exempt (for other commercial investors, e.g. sole proprietors) (partial income procedure). Gains from the sale of bonds/debt securities, gains from futures and income from option writer premiums are fully taxable on the other hand.

Gains or losses on the sale of debt securities that are not included in the above list are treated as interest income for taxation purposes (see below).

Distributed gains from the sale of securities, distributed gains from futures contracts and distributed income from option writer premiums are generally subject to the tax deduction (capital gains tax of 25 per cent plus solidarity surcharge). This does not apply to gains from the sale of securities purchased before 1 January 2009 and gains from futures transactions entered into before 1 January 2009. The paying agent does not deduct tax, however, if the investor is an entity with unrestricted tax liability or these capital gains are business income for a domestic operation and this has been declared to the paying agent by the creditor of the capital gains using an officially stipulated pre-printed form.

Interest and income equivalent to interest

As a rule, investors are subject to tax on interest and income equivalent to interest. This applies regardless of whether such income was reinvested or distributed.

Only on presentation of an appropriate non-assessment certificate will the custodian refrain from deducting the tax or reimburse the deduction. In addition, the investor will receive a tax certificate concerning the tax deduction.

## German and foreign dividends

Dividends from German and foreign companies paid or deemed paid before 1 March 2013, which are distributed in respect of units held in operating assets or which are reinvested, are, with the exception of dividends under the German Real Estate Investment Trust Act (REITG), tax-exempt for corporations<sup>5</sup>. As a result of the new regulations on the taxation of free-float dividends, dividends received or deemed received by the Fund from direct investment after 28 February 2013 from German and foreign companies are taxable for corporations. Sole traders are subject to taxation on 60 per cent of dividend income, with the exception of dividends under REITG (partial income procedure).

German dividends are subject to the tax deduction (capital gains tax of 25 per cent plus solidarity surcharge).

Foreign dividends are generally subject to the tax deduction (capital gains tax of 25 per cent plus solidarity surcharge). The

paying agent does not deduct tax, however, if the investor is an entity with unrestricted tax liability or these foreign dividends are business income for a domestic operation and this has been declared to the paying agent by the creditor of the capital gains using an officially stipulated pre-printed form. For certain corporations, a certificate from their competent tax authority must be submitted to the paying agent to prove that they are fully taxable. These are non-incorporated associations, institutions, foundations and other special-purpose funds under private law as well as legal entities under private law that are not corporations, associations or mutual insurance and pension fund associations.

For investors subject to trade tax, the dividend income that is partially exempt from income tax or corporation tax must be re-added for the purposes of calculating the trade earnings, but does not have to be deducted again. In the view of the tax authorities, dividends paid by foreign corporations can, as so-called intercompany dividends, only be tax-free if the investor is a company (corporation) as defined in the DTAs and a sufficiently high overall (intercompany) interest is attributable to it.

## Negative taxable income

If negative income exceeds positive income of the same type at fund level after netting, this negative income is carried forward at fund level for tax purposes. This may be offset at fund level against future positive taxable income of the same type in subsequent years. It is not possible for investors to directly offset negative taxable income. These negative amounts therefore do not affect the investor's income tax or corporation tax until the assessment period (tax year) in which the Fund's financial year ends or in which distribution is made for the financial year of the Fund for which the negative taxable income is offset at the level of the Fund. Investors are not able to offset these losses against income tax or corporation tax any earlier.

## Capital distributions

Capital distributions are not taxable. This means for investors preparing accounts that the capital distributions should be posted to income in the statutory accounts but an equivalent business cost should be posted in the tax accounts such that the historical cost is technically reduced with no effect on taxation. Alternatively, the amortised cost may be reduced by the proportional amount of the capital distribution.

## Capital gains at investor level

Gains from the sale of shares in business assets are in principle tax exempt for corporations<sup>6</sup> if the gains arise from applicable dividends not yet received or not yet deemed received and from realised and unrealised gains by the Fund

<sup>4</sup> For corporate investors, 5 per cent of the gains on the sale of shares are considered non-deductible operating expenses and are therefore subject to taxation after all.

<sup>5</sup> For corporate investors, 5 per cent of the dividends are considered non-deductible operating expenses and are therefore subject to taxation after all.

<sup>6</sup> For corporate investors, 5 per cent of the tax-exempt gains on the sale are considered non-deductible operating expenses and are therefore subject to taxation after all.



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from domestic and foreign shares and insofar as these dividends and gains are tax exempt when assigned to the investor (so-called share earnings). Sole traders are subject to taxation on up to 60 per cent of these gains. The Company publishes the share earnings (since 1 March 2013, two separate share earnings figures for corporations and sole traders as a result of the aforementioned change in the law – if necessary the separate publication only occurs later) valued daily as a percentage of the unit value of the Fund.

The gains from the sale of fund units are also tax-free to the extent that they are due to gains that are tax-free under the DTA incurred during the time held in the Fund but not yet recorded at the investor level (so-called property gains pro rata to ownership time).

The Company publishes the real estate gains valued daily as a percentage of the unit value of the Fund.

## Non-resident taxpayers

If a non-resident taxpayer has funds units held in custody at a custodian in Germany, the shares will be exempt from the deduction of tax on interest and income equivalent to income, gains on sales of securities, futures and foreign dividends, provided that he can furnish proof of his status as a non-resident. If non-residency for tax purposes is not known or not demonstrated to the custodian in good time, the foreign investor will be forced to request the reimbursement of the tax deduction as per the tax regulations. The competent tax office is the tax office of the custodian.

## Solidarity surcharge

A solidarity surcharge of 5.5 per cent is levied on the tax deduction payable on distributions or reinvestments. This solidarity surcharge can be offset against income tax and corporation tax liabilities.

If no tax deduction is made or in the case of reinvestment the tax deduction is reimbursed, no solidarity surcharge is payable or in the case of reinvestment the solidarity surcharge deducted is refunded.

## Church tax

If income tax is already being collected by means of a tax deduction by a domestic custodian (withholding agent), church tax applicable to this income will be collected as a surcharge to the tax deduction calculated using the rate of church tax for the religious group to which the account holder belongs. The deductibility of the church tax as exceptional costs has already been included as a tax deduction.

## Foreign withholding tax

In some cases, withholding tax is levied in the country of origin on income of the Fund generated abroad. The Company can

deduct the creditable withholding tax at the level of the Fund as for income-related expenses. In this case, the foreign withholding tax cannot be deducted or offset at investor level. If the Company elects not to exercise its right to deduct the foreign withholding tax at fund level, the creditable withholding tax will be taken into account when the tax deduction is made.

## Earnings equalisation

That portion of the issue price for issued units relating to income that is eligible for inclusion in distribution (earnings equalisation procedure) should be treated for tax purposes in the same way as income to which this portion of the issue price is attributable.

## Separate assessment, tax audits

The tax bases, which are determined at the level of the Fund, must be assessed separately. To this end, the Company must submit an assessment notice to the competent tax office. Changes to the assessment notice, for example as a result of a tax audit by the tax authorities, become effective for the financial year in which the revised assessment became incontestable. This amended assessment for the investor is then applied for tax purposes at the end of this financial year or on the distribution date for this financial year's earnings.

As a result, the economic consequences of the correction of errors affect the investors holding units of the Fund at the time at which the errors are corrected. The tax impact may be either positive or negative.

## Taxation of interim profits

Interim profits consist of income from interest received or accrued that is included in the issue or redemption price as well as gains from the sale of non-good capital assets which have not yet been distributed or reinvested by the Fund and therefore have not yet become taxable for the investor (comparable with accrued interest from fixed-interest securities). Interim profits generated by the Fund are subject to income tax when units are redeemed or sold by resident taxpayers. The tax deduction on interim profits is 25 per cent (plus solidarity surcharge and any applicable church tax).

The interim profit paid on the purchase of units can be deducted in the year of payment by private investors as negative income for income tax purposes if an earnings equalisation procedure is carried out and reference to this is made in the publication of the interim profit and as part of the tax data to be certified by the accredited professionals. This will be reflected in the form of a reduction in the tax deduction. If the interim profit is not published, 6 per cent of the redemption or sale price of the units must be applied each year as interim profit. For business investors, the paid interim profit is an integral part of the acquisition costs that are not to be corrected. On the redemption or sale of the fund unit, the interim profit received forms an integral part of the income from the sale. No correction is to be made.

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Interim profit is also shown regularly on bank statements and bank statements of earnings.

## Consequences of the merger of investment funds

If a domestic investment fund is merged with another domestic investment fund, this will not reveal any hidden reserves on the part of either the investors or the investment funds involved; in other words, this is neutral for tax purposes. The same applies when transferring all the assets of a domestic investment fund to a domestic investment company with variable capital or a sub-fund of a domestic investment company with variable capital. If the investors in the transferring investment fund receive a cash payment as proposed under the merger plan, this is to be treated as a distribution of other income. Income which the transferring investment fund has generated but not yet distributed, is allocated to the investors for tax purposes as 'distribution-equivalent earnings' on the transfer date.

## Transparent, semi-transparent and non-transparent taxation as an investment fund

The aforementioned taxation principles (so-called transparent taxation for investment funds pursuant to the German Investment Tax Act (hereinafter "InvStG")) only apply if the Fund falls under the grandfathering provisions of the InvStG. For this to be the case, the Fund must have been established before 24 December 2013 and must satisfy the investment provisions and borrowing limits under the former German Investment Act. Alternatively, or no later than after the end of the grandfathering, the Fund must satisfy the tax investment provisions of the InvStG; these are the principles according to which the Fund may invest in order to be treated as an investment fund for tax purposes. In addition, in both cases, all bases of taxation pursuant to the tax disclosure requirement must also be disclosed in accordance with the provisions of Section 5 Paragraph 1 InvStG. If the Fund has purchased units in other investment funds, the above taxation principles apply only if (i), the target fund in question either falls under the grandfathering provisions of the InvStG or satisfies the tax investment provisions of the InvStG and (ii) the management company for these target funds also fulfils the tax disclosure requirements.

The company endeavours to satisfy the tax investment provisions or, in the case of grandfathering provisions, the investment provisions and borrowing limits under the German Investment Act and to disclose all bases of taxation that are accessible to it. The required disclosure cannot be guaranteed, however, especially if the Fund has acquired units in investment funds and the management company for these funds does not fulfil the tax disclosure requirements. In this case, the distributions and interim profits, as well as 70 percent of the increase in value during the prior calendar year, of the respective units of the investment fund (but being no less than six per cent of the redemption price), are stated as taxable income for the Fund. In a ruling handed down on 9 October 2014, however, the European Court of Justice decided in Case 326/12 that this flat-rate taxation is contrary to European law.

Applying an interpretation that complies with European law, it should accordingly be possible for the investor to handle proof of the actual amount of income. The Company also endeavours to disclose other bases of taxation outside the scope of Section 5 Paragraph 1 InvStG (in particular, share earnings, real estate gains and interim profits).

If the investment provisions and borrowing limits under the former German Investment Act or the tax investment provisions of the InvStG are not satisfied, the Fund is to be treated as an investment company. Taxation is based on the principles for investment companies.

## EU Savings Tax Directive/EU Interest Information Regulation

The Interest Information Regulation (hereinafter "ZIV") implementing the Directive in respect of taxing interest income is designed to ensure that the interest individuals earn is taxed effectively across borders within the EU. The EU has concluded treaties with several non-EU countries (in particular, Switzerland, Liechtenstein, the Channel Islands, Monaco and Andorra), which are largely consistent with the EU Savings Tax Directive.

In addition, interest income credited to a natural person residing outside Germany but within Europe, or within in a specific non-EU country, by a German credit institution (acting in this respect as a paying agent) will be reported by that German credit institution to the Federal Central Tax Office, which will in turn ultimately report it to the relevant foreign local tax office.

It follows in principle that interest income a natural person residing in Germany receives from a European credit institution outside Germany or in specific non-EU countries is ultimately reported by the foreign bank to the local tax office in Germany. Alternatively, some foreign states withhold a tax at source which can be creditable in Germany.

This specifically affects private investors who are resident within the EU or in the signatory non-EU countries, who keep their deposits or accounts across borders in other EU Member States and earn interest income. In particular, Switzerland has committed to deduct a withholding tax of 35 per cent on interest income. Investors will receive a certificate as part of their tax documentation, on the basis of which they can obtain a credit on their income tax return for withholding tax deducted.

Alternatively, private investors may obtain an exemption from tax deductions abroad by voluntarily authorising the foreign banks in question to disclose the amount of their interest income, thereby permitting those institutions to dispense with the deduction of tax and instead to report the amount of the interest income to the tax authorities specified by statute.

According to the ZIV, the Company must indicate for the Fund whether it is subject to the ZIV (in scope) or not (out of scope). The ZIV specifies two significant investment limits for the purposes of this evaluation.

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- If no more than 15 per cent of the assets of the Fund consist of claims within the meaning of the ZIV, the paying agents, which ultimately use the data reported by the Company, are not required to notify the German Federal Central Tax Office. Otherwise, if the 15 per cent limit is exceeded, this triggers an obligation for the paying agents to report the interest component of the distribution to the German Federal Central Tax Office.
- If the 25 per cent limit is exceeded, the interest component of the redemption or disposal of the units must be reported. If the Fund is a distributing fund, the interest component of any distribution must also be reported to the German Federal Central Tax Office. Correspondingly, where a fund reinvests its income, a report is only required if the units are redeemed or sold.

## Auditor

Auditing firm Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Eschborn has been appointed to audit the fund and the annual report.

The auditor audits the annual report of the Fund. The auditor is required to issue a separate audit report on the findings of their audit, which must be included in the annual report in full. When conducting their audit, the auditor must also verify whether the Fund has been managed in accordance with KAGB rules and the terms and conditions of investment. The auditor must submit the report on the audit of the Fund to BaFin.

## Service providers

Companies that perform functions outsourced by the Company are indicated under Outsourcing. The Company has also engaged a number of other service providers, as follows:

- For legal advice, the law firm Zeidler Legal Services, Frankfurt am Main: The law firm advises the Company on legal matters relating to its activities as a capital management company.
- For tax advice, E&Y Wirtschaftsprüfung/Steuerberatung, Frankfurt am Main/Eschborn: They provide support to the Company on tax matters in relation to the management of the Fund.

## Payments to investors/distribution of reports and other information

The engagement of the Depositary ensures that investors will receive the distributions due to them and that units can be redeemed. The investor information referred to in this Prospectus can be obtained by the methods indicated in the section "Basic information – Sales documents and disclosure of information".

## Additional funds managed by the Company

The Company also manages the following public investment funds as listed below, to which this Prospectus does not relate:

Investment funds under the UCITS Directive

### Equity funds

- Nomura Asia Pacific Fonds

### Bond funds

- Nomura Asian Bonds Fonds
- Nomura Real Return Fonds

## Alternative investment funds (AIF)

The Company also manages three special investment funds.



# Terms and Conditions of Investment

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### General Terms and Conditions of Investment

governing the legal relationship between the investors and Nomura Asset Management Deutschland KAG mbH (Frankfurt am Main), ( "the Company") for the investment fund managed by the Company in accordance with the UCITS Directive, which apply only in conjunction with the "Special Terms and Conditions of Investment" for the relevant UCITS investment fund.

### Section 1 Basic information

1. The Company is a UCITS capital management company and is subject to the provisions of the German Investment Code (KAGB).

2. The Company invests the monies deposited with it in its own name on behalf of the investors collectively, and in accordance with the risk diversification principles, in assets authorised under KAGB rules separately from its own assets as a UCITS investment fund. It issues global certificates of the resulting rights of the investors.

3. The purpose of the UCITS investment fund is limited to investments in accordance with a defined investment strategy within the framework of collective asset management using the funds deposited therein; operational activities and active management of the assets held are excluded.

4. The legal relationship between the Company and the investors is governed by the General Terms and Conditions of Investment and the Special Terms and Conditions of Investment of the UCITS investment fund and KAGB rules.

### Section 2 Depositary

1. The Company shall appoint a credit institution as Depositary for the UCITS investment fund; the Depositary acts independently of the Company and solely in the interests of the investors.

2. The duties and obligations of the Depositary are governed by the depositary agreement entered into with the Company, in accordance with the KAGB and the General and Special Terms and Conditions of Investment.

3. The Depositary may outsource custodial tasks to another company (sub-custodian) pursuant to Section 73 of the KAGB. Further details can be found in the Prospectus.

4. Pursuant to Section 73 (1) KAGB, the Depositary shall be liable to the UCITS investment fund or to the investors for the loss of a financial instrument within the meaning of Section 72 (1) No. 1 KAGB held in custody by the Depositary or by a sub-custodian to which the custody of the financial instrument was transferred. The Depositary shall not be liable if it can show that the loss was attributable to external events whose consequences could not be averted despite taking all

reasonable countermeasures. This is without prejudice to any other claims which may arise in civil law under contract or for unlawful acts. The Depositary shall also be liable to the UCITS investment fund or the investors for any and all losses they suffer by reason of the Depositary failing to meet its obligations under KAGB rules through negligence or intent. The Depositary shall remain liable even if any custodial duties are outsourced as stated in paragraph 3, sentence 1.

### Section 3 Fund management

1. The Company acquires and manages the assets in its own name on behalf of the investors collectively with the appropriate expertise, knowledge, due care and diligence. In performing its duties, it acts independently of the Depositary and in the sole interests of the investors.

2. The Company is authorised to use the monies deposited by the investors to acquire the assets, to resell the latter and to invest the proceeds elsewhere; it is also authorised to undertake all other legal transactions that result from managing the assets.

3. The Company may not grant loans nor enter into obligations from a contract of surety or guarantee agreement for the joint account of the investors; it may not sell assets according to Sections 193, 194 and 196 KAGB, which at the time of the transaction do not belong to the UCITS investment fund. Section 197 KAGB remains unaffected.

### Section 4 Investment principles

The UCITS investment fund directly or indirectly invests in accordance with the principle of risk diversification. The Company should only acquire assets on behalf of the UCITS investment fund that may be expected to yield income and/or growth. It shall specify in the Special Terms and Conditions of Investment what assets may be acquired for the UCITS investment fund.

### Section 5 Securities

Unless the Special Terms and Conditions of Investment impose further restrictions, the Company may, subject to the provisions of Section 198 KAGB, only acquire any securities for the account of the UCITS investment fund if

a) they are admitted to trading on a stock exchange or admitted to or included in another organised market in a Member State of the European Union or another signatory to the Agreement on the European Economic Area,

b) they are exclusively admitted to trading on a stock exchange or admitted to or included in another organised market outside the Member States of the European Union or outside the other signatories to the Agreement on the European Economic Area, provided that the choice of this

# Terms and Conditions of Investment

stock exchange or organised market has been approved by the German Federal Financial Supervisory Agency (BaFin)<sup>7</sup>,

c) their issuing terms require that application be made for their admission to trading on a stock exchange or admission to or inclusion in an organised market in a Member State of the European Union or another signatory to the Agreement on the European Economic Area, provided these securities are admitted or included within one year of being issued,

d) their issuing terms require that application be made for their admission to trading on a stock exchange or admission to or inclusion in an organised market outside the Member States of the European Union or outside other signatories to the Agreement on the European Economic Area, provided that the choice of this stock exchange or organised market has been approved by BaFin and provided these securities are admitted or included within one year of being issued,

e) they are equities, to which the UCITS investment fund is entitled in the event of a capital increase from Company funds,

f) they are purchased in the context of exercising subscription rights belonging to the UCITS investment fund,

g) they are units in closed-end funds that meet the criteria as laid down in Section 193, Paragraph 1, Sentence 1, No. 7 KAGB,

h) they are financial instruments that meet the criteria as laid down in Section 193, Paragraph 1, Sentence 1, No. 8 KAGB.

The acquisition of securities according to Sentence 1 a) to d) is only permissible if the requirements of Section 193, Paragraph 1, Sentence 2 KAGB are also fulfilled.

Subscription rights arising from securities which may be acquired under this Section 5 may also be acquired.

## Section 6 Money market instruments

1. Unless the Special Terms and Conditions of investment impose any further restrictions, the Company may acquire instruments which are normally traded on the money markets and interest-bearing securities with a residual maturity of up to 397 days at the time they are acquired on behalf of the UCITS investment fund, the rate of interest on which is adjusted regularly over the whole term of their issue in line with prevailing market rates on a regular basis, but not less than once in 397 days, in accordance with their issuing terms, or whose risk profiles are equivalent to those of such securities (money market instruments) on behalf of the UCITS investment fund, subject to the provisions of Section 198 KAGB.

Money market instruments may only be acquired for the UCITS investment fund if

a) they are admitted to trading on a stock exchange or admitted to or included in another organised market in a Member State of the European Union or another signatory to the Agreement on the European Economic Area,

b) they are exclusively admitted to trading on a stock exchange or admitted to or included in another organised market outside the Member States of the European Union or outside the other signatories to the Agreement on the European Economic Area, provided that the choice of this stock exchange or organised market has been approved by BaFin<sup>8</sup>,

c) they are issued or guaranteed by the European Union, the German Federal Government, an investment fund held by the Federal Republic of Germany, a federal state, another Member State or another central-state, regional or local authority or by a central bank of a Member State of the European Union, the European Central Bank or the European Investment Bank, a non-Member State or, in the case of a federal state, by one of the members making up the federation, or by a public international body to which one or more Member States of the European Union belong,

d) they are issued by a company whose securities are traded on the markets referred to in letters a) and b),

e) they are issued or guaranteed by a credit institution subject to supervision pursuant to criteria in European Union legislation, or a credit institution subject to supervisory regulations which, in the opinion of BaFin, are equivalent to those of European Union legislation and that complies with these regulations, or

f) are issued by other issuers and these fulfil the requirements of Section 194, Paragraph 1, Sentence 1, No. 6 KAGB.

2. Money market instruments within the meaning of Paragraph 1 may be acquired only if they comply with the relevant requirements of Section 194, Paragraphs 2 and 3 KAGB.

## Section 7 Bank deposits

The Company may hold bank deposits on behalf of the UCITS investment fund maturing at up to twelve months. Such deposits, which must be kept in blocked accounts, may be held with a credit institution based in a Member State of the European Union or another signatory to the Agreement on the European Economic Area; deposits may also be held with credit institutions based in a non-Member State whose supervisory provisions, in the opinion of BaFin, are equivalent to those of European Union legislation. Bank deposits may also be held in foreign currencies unless the Special Terms and Conditions of Investment stipulate otherwise.

<sup>7</sup>The list of stock exchanges is published on the BaFin website (<http://www.bafin.de>).

<sup>8</sup> See footnote 1

# Terms and Conditions of Investment

## Section 8 Investment fund units

1. The Company may acquire units in investment funds on behalf of the UCITS investment fund in accordance with Directive 2009/65/EC (UCITS) unless the Special Terms and Conditions of Investment stipulate otherwise. Units in other domestic investment funds and investment companies with variable capital and units in open-ended EU AIFs and foreign open-ended AIFs may be acquired, provided they meet the requirements of Section 196 Paragraph, 1 Sentence 2 KAGB.

2. The Company may only acquire units in domestic investment funds and investment companies with variable capital, in EU UCITS, in open-ended EU AIFs and in foreign open-ended AIFs if the Terms and Conditions of Investment or the Articles of Association of the capital management company, the investment company with variable capital, the EU investment fund, the EU management company, the foreign AIF or the foreign AIF management company stipulate that in total no more than 10 per cent of the value of their assets may be invested in units of other domestic investment funds, investment companies with variable capital, open-ended EU investment funds or foreign open-ended AIFs.

## Section 9 Derivatives

1. Unless the Special Terms and Conditions of Investment stipulate otherwise, in managing the UCITS investment fund, the Company may acquire derivatives in accordance with Section 197, Paragraph 1, Sentence 1 KAGB and financial instruments with derivative components in accordance with Section 197, Paragraph 1, Sentence 2 KAGB. It may, depending on the nature and scope of the derivatives and financial instruments with derivative components employed, use either the simple or qualified approach to determine the extent to which it has used its market risk limit for using derivatives and financial instruments with derivative components as defined in Section 197, Paragraph 2 KAGB, subject to the regulations issued pursuant to Section 197, Paragraph 3 KAGB on risk management and assessment when using derivatives, securities lending and sale and repurchase agreements in investment funds under the capital investment code (DerivateV); the further details are regulated by the Prospectus.

2. Insofar as the Company employs the simple approach, it may only use basic forms of derivatives and, financial instruments with derivative components or combinations of such derivatives, financial instruments with derivative components and underlyings permitted under Section 197, Paragraph 1, Sentence 1 KAGB in the UCITS investment fund. Complex derivatives with underlyings permitted under Section 197, Paragraph 1, Sentence 1 KAGB may only be used to a negligible extent. The attributable amount for market risk to be calculated for the UCITS investment fund under the provisions of Section 16 DerivateV may not exceed the value of the investment fund at any time.

Basic forms of derivatives are as follows:

a) futures contracts for underlyings pursuant to Section 197, Paragraph 1 KAGB with the exception of investment units pursuant to Section 196 KAGB;

b) options or warrants for underlyings pursuant to Section 197, Paragraph 1 KAGB with the exception of investment units pursuant to Section 196 KAGB and for futures contracts as defined in letter a), if they have the following characteristics:

aa) exercise is possible either during the entire term or at the end of the term and

bb) the option value at the time of exercise depends linearly on the positive or negative difference between the exercise price and the market price of the underlying instrument and becomes zero if the difference has the other algebraic sign;

c) interest rate swaps, currency swaps or interest rate-currency swaps;

d) options on swaps according to letter c), to the extent that they display the characteristics described in letter b) under letters aa) and bb) (swaptions);

e) credit default swaps based on a single underlying (single name credit default swaps).

3. Insofar as the Company employs the qualified approach, it may, provided it has a suitable risk management system, invest in financial instruments with derivative components or derivatives derived from underlyings pursuant to Section 197, Paragraph 1, Sentence 1 KAGB.

The potential value at risk of the market risk ("value at risk") attributable to the UCITS investment fund must not exceed twice the potential value at risk of the market risk of the relevant benchmark assets under Section 9 DerivateV at any time. Alternatively, the value at risk may at no time exceed 20 per cent of the value of the UCITS investment fund.

4. In these transactions, the Company may under no circumstances deviate from the investment principles and limits specified in the General Terms and Conditions of Investment or the Special Terms and Conditions of Investment or in the Prospectus.

5. The Company will use derivatives and financial instruments with derivative components for the purposes of hedging, efficient portfolio management, and generation of additional income, if and to the extent it considers this to be required in the interests of the investors.

6. When calculating the market risk limit for the use of derivatives and financial instruments with derivative components, the Company may switch from the simple approach to the qualified approach at any time in accordance with Section 6, Sentence 3 of the DerivateV. The switch does not require the approval of the Federal Financial Supervisory Authority. However, the Company must report the switch to the Federal Financial Supervisory Authority promptly and disclose it in the next Semi-annual or Annual Report.

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7. The Company shall comply with the DerivateV when using derivatives and financial instruments with derivative components.

## Section 10 Other investment instruments

Unless otherwise specified in the Special Terms and Conditions of Investment, the Company can acquire up to 10 per cent of the value of the UCITS investment fund in the form of other investment instruments pursuant to Section 198 KAGB for the account of the UCITS investment fund.

## Section 11 Issuer and investment limits

1. In managing the fund, the Company must comply with the limits and restrictions laid down in the KAGB, the DerivateV and the terms and conditions of investment.

2. Securities and money market instruments of the same issuer, including securities and money market instruments acquired on a sale and repurchase basis, may be acquired up to 5 per cent of the value of the UCITS investment fund, although up to 10 per cent of the value of the UCITS investment fund may be invested in such assets if the Special Terms and Conditions of Investment so provide and the total value of the securities and money market instruments of those issuers does not exceed 40 per cent of the value of the UCITS investment fund.

3. The Company may invest no more than 35 per cent of the value of the UCITS investment fund in each case in bonds, borrowers' notes or money market instruments issued or guaranteed by the German Federal Government, a German Federal State, the European Union, a Member State of the European Union or its local authorities, another signatory state to the Agreement on the European Economic Area or a non-Member State or an international organisation to which at least one Member State of the European Union belongs.

4. The Company may invest up to 25 per cent of the value of the UCITS investment fund in each case in mortgage bonds, local government bonds and bonds issued by financial institutions based in a Member State of the European Union or in another signatory state to the Agreement on the European Economic Area, provided those financial institutions are subject to special public supervision under statutory provisions designed to protect the holders of those bonds and the funds acquired through the issue of those bonds are invested as the law requires in assets which cover the liabilities arising out of those bonds over their entire term and which, should the issuer default, are intended primarily to pay the capital redemptions and interest due. If the Company invests more than 5 per cent of the value of the UCITS investment fund in bonds of the same issuer as defined in Sentence 1, the total value of these bonds may not exceed 80 per cent of the value of the UCITS investment fund.

5. The limit in Paragraph 3 for securities and money market instruments of a single issuer in accordance with Section 206, Paragraph 2 KAGB may be exceeded if the Special Terms and

Conditions of Investment provide for this, indicating the respective issuers. In such cases, the securities and money market instruments held for the account of the UCITS investment fund must originate from at least six different issues, whereby no more than 30 per cent of the value of the UCITS investment fund may be held in a single issue.

6. The Company may not invest more than 20 per cent of the value of the UCITS investment fund in bank deposits with any single credit institution pursuant to Section 195 KAGB.

7. The Company must ensure that a combination of:

- a) securities or money market instruments issued by any single institution,
- b) deposits with this body, and
- c) allocable values for the counterparty risk of the transactions entered into with this body,

does not exceed 20 per cent of the value of the UCITS investment fund. The provisions of Sentence 1 apply to the issuers and guarantors stated in Paragraphs 3 and 4, with the proviso that the Company must ensure that the combination of the assets and allocable values as stated in Sentence 1 does not exceed 35 per cent of the value of the UCITS investment fund. The individual upper limits remain unaffected in both cases.

8. The bonds, borrowers' notes and money market instruments specified in Paragraphs 3 and 4 are not taken into consideration when applying the 40 per cent limits specified in Paragraph 2. Notwithstanding the provision in Paragraph 7, the limits specified in Paragraphs 2 to 4 and Paragraphs 6 to 7 may not be combined.

9. The Company may invest no more than 20 per cent of the value of the UCITS investment fund in units of a single investment fund pursuant to Section 196, Paragraph 1 KAGB. The Company may invest no more than 30 per cent of the value of the UCITS investment fund in total in units of an investment fund pursuant to Section 196, Paragraph 1, Sentence 2 KAGB. The Company may not acquire on behalf of the UCITS investment fund more than 25 per cent of the units issued by another open-ended domestic, EU or foreign investment fund that invests on the principle of risk diversification in assets within the meaning of Sections 192 to 198 KAGB.

## Section 12 Merger

1. Subject to the provisions of Sections 181–191 KAGB, the Company may

- a) transfer all the assets and liabilities of this UCITS investment fund to another existing investment fund or to a new UCITS investment fund established by virtue of such transfer or to an EU UCITS or UCITS investment company with variable capital;

# Terms and Conditions of Investment

b) acquire all the assets and liabilities of another open-ended public investment fund and absorb them into this UCITS investment fund.

2. Any merger is subject to the approval of the competent regulatory authority concerned in each case. Details of the procedures are laid down in Sections 182–191 KAGB.

3. The UCITS investment fund may not be merged with an public investment fund which is not a UCITS, unless the acquiring or newly-established investment fund is to become a UCITS. In addition, the merger of an EU UCITS into the UCITS investment fund may take place in accordance with the provisions of Article 2 Paragraph 1p (iii) of Directive 2009/65/EC.

## Section 13 Securities lending

1. The Company may grant a securities loan, which can be terminated at any time, on behalf of the UCITS investment fund to a securities borrower at a market rate after transfer of sufficient collateral pursuant to Section 200, Paragraph 2 KAGB. The market value of the securities to be lent, plus the market value of those securities already lent on behalf of the UCITS investment fund to the same securities borrower, including companies in the same group within the meaning of Section 290 of the German Commercial Code, must not exceed 10 per cent of the value of the UCITS investment fund.

2. If the collateral for the securities transferred is provided by the securities borrower in the form of deposits, these deposits must be held in blocked accounts pursuant to Section 200, Paragraph 2, Sentence 3, No. 1 KAGB. Alternatively, the Company may exercise the option to invest these deposits in the currency of the deposit in the following assets:

a) in high-quality bonds issued by the German Federal Government, a German Federal State, the European Union, a Member State of the European Union or its local authorities, another signatory state to the Agreement on the European Economic Area or a non-Member State,

b) in short-term money market funds in accordance with the guidelines adopted by BaFin on the basis of Section 4, Paragraph 2 KAGB, or

c) under a reverse repurchase transaction with a credit institution which guarantees that the accrued credit balance can be reclaimed at any time.

Income from investing collateral will be due to the UCITS investment fund.

3. For brokering and settling securities lending, the Company may also use an organised system of a central depository for securities or another undertaking as stated in the Special Terms and Conditions of Investment, whose corporate purpose is to settle cross-border securities transactions for others, even if such a system deviates from the requirements of Sections 200 and 201 KAGB, provided the conditions of that system guarantee that the interests of investors are protected

and do not depart from the right of termination as in Paragraph 1.

4. Unless the Special Terms and Conditions of Investment stipulate otherwise, the Company may also engage in securities lending in money market instruments and investment units, provided the UCITS investment fund can acquire those assets. The provisions of Paragraphs 1 to 3 apply here *mutatis mutandis*.

## Section 14 Sale and repurchase agreements

1. The Company may, on behalf of the UCITS investment fund and in return for a fee, enter into securities sale and repurchase agreements, which can be terminated at any time, within the meaning of Section 340b, Paragraph 2 of the German Commercial Code, with credit institutions or with financial services institutions under standard master agreements.

2. The sale and repurchase agreements must involve securities which the UCITS investment fund is allowed to acquire under the terms and conditions of investment.

3. The term of the sale and repurchase agreements must not exceed twelve months.

4. Unless the Special Terms and Conditions of Investment stipulate otherwise, the Company may also engage in sale and repurchase transactions in respect of money market instruments and investment units, provided the UCITS investment fund can acquire those assets. The provisions of Paragraphs 1 to 3 apply here *mutatis mutandis*.

## Section 15 Borrowing

Short-term borrowing by the Company on behalf of all the investors of amounts of up to 10 per cent of the value of the UCITS investment fund is permissible if the terms of the borrowing are at market rates and the Depositary approves the borrowing.

## Section 16 Units

1. The unit certificates securitised in a global certificate are issued in the name of the bearer.

2. Unit terms may vary, particularly with regard to how income is to be used, the front-end load, redemption discounts, the currency in which they will be denominated, management fees, the minimum investment required or a combination of such terms (unit classes). Details are laid down in the Special Terms and Conditions of Investment.

3. The shares are transferable unless otherwise stipulated in the Special Terms and Conditions of Investment. When a share is transferred, the rights represented therein are also transferred. In all cases, the Company shall consider the holder of the share to be the beneficiary.



# Terms and Conditions of Investment

4. The rights of investors and the rights of investors in a share class are documented in a global certificate. The global certificate shall bear at least the handwritten signatures or facsimile signatures of the Company and of the custodian. The right to individual certification is excluded.

5. The rights of investors and the rights of investors in a unit class are represented in a global certificate. The right to individual certification is excluded.

## Section 17 Issue and redemption of units, Suspension of redemption

1. In principle, there is no limit to the number of units that may be issued. The Company reserves the right to temporarily or completely suspend the issue of units.

2. Units may be acquired from the Company, the Depositary, or through third parties. The Special Terms and Conditions of Investment may stipulate that only shares of specific investors may be acquired and held.

3. The investors can request that the Company redeem the units. The Company is obliged to redeem the units for the account of the UCITS investment fund at the current redemption price. The Depositary shall be the redemption agent.

4. The Company nevertheless retains the right to suspend the redemption of units pursuant to Section 98, Paragraph 2 KAGB in exceptional circumstances when suspension appears necessary to protect the interests of the investors.

5. The Company must notify investors through a notice in the Federal Gazette and also in a sufficiently widely distributed financial or daily newspaper or in the electronic information media indicated in the Prospectus if it is to suspend redeeming units as in Paragraph 4 or resume redeeming them. Investors must be informed that the redemption of units is suspended and resumed via a durable medium without delay after publication in the Federal Gazette.

## Section 18 Issue and redemption prices

1. To calculate the issue and redemption price of units, the fair market values of the assets belonging to the UCITS investment fund less loans taken up and other liabilities ("net asset value") are determined and divided by the number of units in circulation ("unit value"). If different unit classes are introduced for the UCITS investment fund in accordance with Section 16, Paragraph 2, the unit value and issue and redemption price for each unit class will be determined separately.

Assets will be valued as laid down in Sections 168 and 169 KAGB and the German Capital Investment Accounting and Valuation Ordinance (KARBV).

2. The issue price corresponds to the unit value of the UCITS investment fund plus any front-end load, which is to be

specified in the Special Terms and Conditions of Investment, pursuant to Section 165, Paragraph 2, Number 8 KAGB. The redemption price corresponds to the unit value of the UCITS investment fund less any redemption fee, which is to be specified in the Special Terms and Conditions of Investment, pursuant to Section 165, Paragraph 2, Number 8 KAGB.

3. The settlement date for calls on units and redemption orders is no later than the valuation date following the date on which those calls on units and/or redemption orders are received, unless the Special Terms and Conditions of Investment specify otherwise.

4. The issue and redemption price are determined for each trading day. Unless otherwise stipulated in the Special Terms and Conditions of Investment, the Company and the Depositary will not be bound to calculate the value on statutory public holidays which are trading days or on 24 or 31 December of each year; this is governed in more detail in the Prospectus.

## Section 19 Charges

The expenses and fees due to the Company, the Depositary and third parties which may be charged to the UCITS investment fund are set out in the Special Terms and Conditions of Investment. In the case of fees within the meaning of Sentence 1, the Special Terms and Conditions of Investment shall also stipulate the manner, the amount, and the calculation of the fees.

## Section 20 Accounting

1. The Company publishes an annual report with a statement of operations no later than four months after the end of the financial year of the UCITS investment fund in accordance with Section 101, Paragraphs 1, 2 and 4 KAGB.

2. The Company publishes a semi-annual report no later than two months after the end of the first half of the financial year in accordance with Section 103 KAGB.

3. Should the right to manage the UCITS investment fund be transferred to another capital management company or the UCITS investment fund be merged with another UCITS investment fund, UCITS investment company with variable capital or EU UCITS investment fund during the course of the financial year, the Company must publish an interim report on the transfer date which meets the requirements of an annual report as stated in Paragraph 1.

4. Should the UCITS investment fund be wound up, the Depositary shall produce a liquidation report annually and on the date on which the liquidation is completed which meets the requirements of an annual report as stated in Paragraph 1.

5. These reports are available from the Company, the Depositary and other sources as stated in the Prospectus and the Key Investor Information, and are also published in the Federal Gazette.



# Terms and Conditions of Investment

## Section 21 Termination and liquidation of the UCITS investment fund

1. The Company may, subject to a notice period of at least six months, terminate its management of the UCITS investment fund by making an announcement in the Federal Gazette and also in the annual or semi-annual report to that effect. The investors shall also be informed without undue delay of such termination announced as stated in Sentence 1 via a durable medium.

2. When this termination takes effect, the Company will cease to have the authority to manage the UCITS investment fund. The UCITS investment fund or the right to dispose of it will then pass to the Depositary, who will liquidate it and distribute the proceeds to the investors. For the liquidation period, the Depositary will be entitled to be paid for its liquidation duties and have its costs incurred in liquidating the fund reimbursed. The Depositary may elect not to liquidate the fund and distribute the proceeds themselves but to delegate the management of the UCITS investment fund to another capital management company on the existing terms and conditions of investment to date, provided the Federal Authority agrees.

3. On the date on which its authority ends under Section 99 KAGB, the Company is required to produce a liquidation report which meets the requirements of an annual report under Section 20 Paragraph 1.

## Section 22 Change of capital management company and Depositary

1. The Company may transfer the management and disposal rights over the UCITS investment fund to another capital management company. The transfer requires the prior approval of BaFin.

2. The approved transfer shall be published in the Federal Gazette and also in the annual or semi-annual report. The investors shall also be informed without undue delay of such transfer announced as stated in Sentence 1 via a durable medium. The transfer will become effective no earlier than three months after its publication in the Federal Gazette.

3. The Company may change the Depositary for UCITS the investment fund. The change requires the approval of BaFin.

## Section 23 Changes to the Terms and Conditions of Investment

1. The Company may vary the terms and conditions of investment.

2. It may not vary them without the prior consent of BaFin. To the extent that the changes set forth in Sentence 1 above affect the UCITS investment fund's investment principles, they shall require the prior approval of the Supervisory Board of the Company.

3. Any and all changes proposed will be published in the Federal Gazette and also in a sufficiently widely distributed financial or daily newspaper or via the electronic communications media as stated in the Prospectus. The publication referred to in Sentence 1 shall give notice of the planned changes and when they will take effect. Should there be any changes to costs within the meaning of Section 162, Paragraph 2, Number 11 KAGB, changes to the investment principles of the UCITS investment fund within the meaning of Section 163, Paragraph 3 KAGB or changes in respect of material rights of investors, the investors must be notified, at the same time as the announcements as in Sentence 1, of what the intended changes to the investment terms and conditions essentially involve and the background to them and informed of their rights under Section 163, Paragraph 3 KAGB in comprehensible form via a durable medium under Section 163, Paragraph 4 KAGB.

4. The changes will not enter into force until the day after they are published in the Federal Gazette or, in the case of changes to costs or investment principles, until three months have passed since they were thus published.

## Section 24 Place of performance

1. The place of performance is the registered office of the Company.

# Terms and Conditions of Investment

## Special Terms and Conditions of Investment

governing the legal relationship between the investors and Nomura Asset Management Deutschland KAG mbH, Frankfurt am Main ("the Company") for the investment fund managed by the Company in accordance with the UCITS Directive, Nomura Real Protect Fonds, which apply only in conjunction with the "General Terms and Conditions of Investment" issued by the Company for the investment fund.

## Investment principles and limits

### Section 1 Assets

The Company may acquire the following assets for the UCITS investment fund:

1. Securities pursuant to Section 5 of the General Terms and Conditions of Investment
2. Money market instruments pursuant to Section 6 of the General Terms and Conditions of Investment
3. Bank deposits pursuant to Section 7 of the General Terms and Conditions of Investment
4. Investment units pursuant to Section 8 of the General Terms and Conditions of Investment
5. Derivatives pursuant to Section 9 of the General Terms and Conditions of Investment
6. Other investment instruments pursuant to Section 10 of the General Terms and Conditions of Investment

### Section 2 Investment limits

#### 1. Securities

Shares, share certificates, participatory notes and warrants, participation certificates, index certificates, interest-bearing securities including convertible bonds, warrant bonds, inflation-linked bonds and other securitised derivatives of domestic and foreign issuers can be acquired for the UCITS investment fund.

The UCITS investment fund invests at least 51 per cent of its assets in interest-bearing securities of domestic and foreign issuers.

Securities and money market instruments of the same issuer may be acquired up to 10 per cent of the value of the UCITS investment fund, and the total value of the securities and money market instruments of this issuer may not exceed 40 per cent of the value of the UCITS investment fund.

The securities to be selected should bring the highest possible steady long-term return by exploiting international variations in

interest rates and inflation rates as well as each particular market situation.

The Company may invest in bonds that have been issued by:

- the Federal Republic of Germany
- France
- UK
- Italy
- USA
- Japan

more than 35 percent of the value of the UCITS investment fund.

Securities purchased under sale and purchase agreements must be counted towards the investment limits under Section 206, Paragraphs 1 to 3 KAGB.

#### 2. Money market instruments

Up to 49 percent of the value of the UCITS investment fund may be held in money market instruments in accordance with Section 6 of the "General Terms and Conditions of Investment". Money market instruments purchased under sale and purchase agreements must be counted towards the investment limits under Section 206, Paragraphs 1 to 3 KAGB.

#### 3. Bank deposits

Up to 49 percent of the value of the UCITS investment fund may be held in bank deposits in accordance with Section 7, Sentence 1 of the "General Terms and Conditions of Investment".

#### 4. Investment units

The Company may acquire investment units up to 10 percent of the value of the UCITS investment fund in accordance with Section 8 of the "General Terms and Conditions of Investment". Investment units purchased under sale and purchase agreements must be counted towards the investment limits in Sections 207 and 210, Paragraph 3 KAGB.

#### 5. Other investment instruments

The Company may acquire other investment instruments up to 10 percent of the value of the UCITS investment fund in accordance with Section 10 of the "General Terms and Conditions of Investment".

## Section 3 Investment Committee

The Company is advised by an investment committee in respect of the UCITS investment fund.

# Terms and Conditions of Investment

## Section 4 Unit classes

1. Unit classes within the meaning of Section 16, Paragraph 2 of the "General Terms and Conditions of Investment" that differ with respect to the appropriation of income, the front-end load, the currency of the unit value including the use of currency hedging transactions, the management fee, the minimum investment amount or a combination of these factors may be formed for the UCITS investment fund. Unit classes may be formed at any time at the Company's discretion.

2. Entering into currency hedging transactions exclusively for the benefit of a single currency unit class is permitted. For foreign currency unit classes which are FX hedged in favour of the currency in which those unit classes are denominated (reference currency), the Company may also, regardless of the provisions of Section 9 of the "General Terms and Conditions of Investment", use derivatives on FX rates or currencies within the meaning of Section 197, Paragraph 1 KAGB with a view to preventing unit value losses through exchange rate losses of assets of the UCITS investment fund which are not denominated in the reference currency.

3. The unit value is calculated separately for each unit class by allocating the costs of establishing new unit classes, distributions (including any taxes to be paid from the Fund assets), management fees, and the profits or losses from exchange rate hedging transactions that are attributable to a specific unit class, including any earnings equalisation, exclusively to that unit class.

4. The Prospectus and the annual and semi-annual reports provide an itemised list of existing unit classes. The characteristics that define unit classes (appropriation of income, front-end load, currency of the unit value, management fee, minimum investment amount or a combination of these features) are described in detail in the Prospectus and in the annual and semi-annual reports.

## Units, issue price, redemption price, redemption of units and fees

### Section 5 Units

Investors share in the assets of the UCITS investment fund by fractions in proportion to the number of their units at any time.

### Section 6 Issue and redemption prices

1. The Company provides information on the front-end loads for each unit class in the Prospectus, in the Key Investor Information and in the annual and semi-annual report, in accordance with Section 165, Paragraph 3 KAGB.
2. The front-end load is up to 2 percent of the unit value.
3. The Company is at liberty to charge a lower front-end load. The Company shall provide information on the front-end load in the Prospectus in accordance with Section 165, Paragraph 3 KAGB.

### Section 7 Fees

1. For managing the UCITS investment fund, the Company receives a daily fee of up to 1.00 percent p.a. on the basis of the net asset value of the UCITS investment fund determined on each trading day. The Company is free to apply a lower fee for each unit class, however. The Company provides information on the management fee for each unit class in the Prospectus and in the annual and semi-annual report.
2. The Company pays an annual fee of up to 0.1 percent of the average value of the UCITS investment fund on the basis of the net asset value determined on each trading day from the UCITS investment fund for market risk and liquidity risk measurement pursuant to DerivateV by third parties.

The amount taken as fees each year from the UCITS investment fund in accordance with Nos. 1 and 2 may amount to up to 1.10 percent of the average value of the UCITS investment fund on the basis of the net asset value determined on each trading day.

3. The fee for the Depositary is a daily fee of 1/365 (in leap years: 1/366) of up to 0.1% of the net asset value determined daily.

4. In addition to the fees due to the Company, the Depositary and any third parties, the costs below will also be charged to the UCITS investment fund:

- a) Standard custody and account fees, including any standard bank charges for holding foreign assets in custody abroad;
- b) costs of printing and dispatching legally prescribed sales documents intended for investors (annual and semi-annual reports, Prospectus, Key Investor Information document);
- c) expenses for publication of the annual and semi-annual reports, issue and redemption prices and, if applicable, distributions or reinvestments, and the liquidation report;

# Terms and Conditions of Investment

d) costs of creating and using a durable medium, except in the case of information concerning fund mergers and information concerning activities related to the exceeding of investment limits or calculation errors in determining unit values;

e) costs of auditing the UCITS investment fund by its auditors;

f) costs of publishing the tax bases and the certification that the tax information has been determined in accordance with the provisions of German tax law;

g) costs for the assertion and enforcement of legal claims by the Company for the account of the UCITS investment fund and for the defence of claims made against the Company at the expense of the UCITS investment fund;

h) fees and costs levied by the state authorities in relation to the UCITS investment fund;

i) costs for legal and tax advice in relation to the UCITS investment fund;

j) costs and any charges which may arise in connection with acquiring and/or using or designating a benchmark or financial index;

k) costs for appointing proxies with voting rights;

l) taxes incurred in connection with the fees payable to the Company, Depositary and third parties as well as in connection with the aforementioned expenses, including taxes arising in connection with management and custody activities.

## 5. Transaction costs

In addition to the aforementioned fees and expenses, the costs arising in connection with the acquisition and disposal of assets are charged to the UCITS investment fund.

6. The Company is required to publish in the annual report and in the semi-annual report the amount of the front-end loads and redemption fees that have been charged to the UCITS investment fund during the reporting period for the purchase and redemption of units as defined in Section 8 of the General Terms and Conditions of Investment. With respect to the purchase of units that are managed directly or indirectly by the Company itself or by another company with which the Company is affiliated through a significant direct or indirect equity holding, the Company or the other company may not charge any front-end loads and redemption fees for purchases and redemptions. The Company is required to publish in the annual report and in the semi-annual report the fees charged by the Company itself, by another capital management company, an investment company or another company with which the Company is affiliated through a significant direct or indirect equity holding, or by a foreign investment company, including its management company, as management fees for the units held in the UCITS investment fund.

# Terms and Conditions of Investment

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## **Appropriation of income and financial year**

### **Section 8 Distribution of income and reinvestment**

1. For unit classes that pay dividends, the Company will in principle distribute the interest, dividends and other earnings that have accrued for the account of the UCITS investment fund during the financial year and have not been used to cover costs, allowing for the applicable earnings equalisation. Considering the appropriate income equalisation, realised gains on disposals can also be applied toward distributable income.

2. Distributable income pursuant to Paragraph 1 may be carried forward for distribution in subsequent financial years if the amount of the income carried forward does not exceed 15 percent of the respective value of the UCITS Investment Fund at the end of the financial year. Income from short financial years can be carried forward in full.

3. In the interest of the maintenance of assets, income can be partially, in special cases even completely, earmarked for reinvestment in the UCITS investment fund.

4. Distributions are performed annually within four months after the end of the financial year against presentation of the called coupon to the paying agents indicated in the distribution announcements.

5. For reinvesting unit classes, the Company reinvests pro rata in the UCITS investment fund the interest, dividends and other earnings that have accrued for the account of the UCITS investment fund during the financial year and have not been used to cover costs, allowing for the applicable earnings equalisation, along with gains on sales of the reinvesting unit classes.

### **Section 9 Financial year**

The financial year of the UCITS investment fund begins on 1 April and ends on 31 March of the following year.

# Terms and Conditions of Investment

## List of sub-custodians

The Depositary has delegated custody activities in the following countries to another company (sub-custodian):

Market	BNYM SA/NV Sub	Market	BNYM SA/NV Sub
Argentina	Caja de Valores S.A.	India	Deutsche Bank AG
Australia	National Australia Bank Limited	India	HSBC Limited
Australia	Citigroup Pty Limited	Indonesia	Deutsche Bank AG, Jakarta Branch
Austria	UniCredit Bank Austria AG	Ireland (CREST)	The Bank of New York Mellon
Austria	Citibank N.A. Milan	Israel	Bank Hapoalim B.M.
Bahrain	HSBC Bank Middle East Limited	Italy	Citibank N.A., Milan Branch
Bangladesh	HSBC Limited	Italy	Intesa Sanpaolo S.p.A
Belgium	Citibank Europe Plc, UK Branch	Ivory Coast	Société Générale de Banques en Côte d'Ivoire
Benin d'Ivoire	Société Générale de Banques en Côte	Japan	Mizuho Bank Ltd.
Bermuda	HSBC Bank Bermuda Limited	Japan	The Bank of Tokyo – Mitsubishi UFJ Ltd
Botswana	Stanbic Bank Botswana Limited	Jordan	Standard Chartered Bank
Brazil	Citibank N.A., Brazil	Kazakhstan	JSC Citibank Kazakhstan
Brazil	Itau Unibanco S.A.	Kenya	CFC Stanbic Bank Limited
Bulgaria	Citibank Europe plc, Bulgaria Branch	Kuwait	HSBC Bank Middle East Limited
Faso	Société Générale de Banques en Côte	Latvia	AS SEB Banka
d'Ivoire Canada	CIBC Mellon Trust Company	Lebanon	HSBC Bank Middle East Limited
Cayman Islands	The Bank of New York	Lithuania	AB SEB Banka
Mellon Channel Islands	The Bank of New York	Malawi	Standard Bank Limited
Mellon Chile	Banco de Chile	Malaysia	HSBC Bank Malaysia Berhad
Chile	Banco Itaú Chile	Malaysia	Deutsche Bank (Malaysia) Berhad
China Shanghai	HSBC Bank (China) Company Limited	Mali	Société Générale de Banques en Côte d'Ivoire
China Shenzhen	HSBC Bank (China) Company Limited	Malta	The Bank of New York Mellon SA/NV, Frankfurt/Main
Colombia	Cititrust Colombia S.A.	Mauritius	HSBC Ltd. Mauritius Branch
Costa Rica	Banco Nacional de Costa Rica	Mexico	Banco Nacional de México S.A. (BANAMEX S.A.)
Croatia	Privredna Banka Zagreb d.d.	Morocco	Citibank Maghreb
Cyprus	BNP Paribas Securities Services S.C.A., Athens	Namibia	Standard Bank Namibia Limited
Czech Republic	Citibank Europe plc, organizacni slozka	Netherlands	The Bank of New York Mellon SA/NV
Denmark	SEB	New Zealand	National Australia Bank Limited
Ecuador	Banco de la Produccion S.A.	Niger	Société Générale de Banques en Côte d'Ivoire
Egypt	HSBC Bank Egypt S.A.E.	Nigeria	Stanbic IBTC Bank Plc.
Estonia	AS SEB Pank	Norway	SEB
Euromarket (Clearstream)	Clearstream Banking Luxembourg	Oman	HSBC Bank Oman S.A.O.G.
S.A. Euromarket (Euroclear)	Euroclear Bank Brussels	Pakistan	Deutsche Bank AG
Euroclear – FundSettle	Euroclear Bank Brussels	Palestinian Autonomous Area	HSBC Bank Middle East Limited
Finland	SEB Helsinki	Panama	Citibank N.A. Panama Branch
France	BNP Paribas Securities Services	Peru	Citibank del Perú S.A.
France	Citibank Europe Plc	Philippines	Deutsche Bank AG
Germany	BHF Bank AG	Poland	Bank Polska Kasa Opieki S.A.
Ghana	Stanbic Bank Ghana Limited	Portugal	Citibank Europe Plc., Sucursal em Portugal
Greece	BNP Paribas Securities Services, Athens	Qatar	HSBC Bank Middle East Limited
Guinea Bissau	Société Générale de Banques en Côte	Romania	Citibank Europe plc, Romania Branch
d'Ivoire Hong Kong	HSBC Limited	Russia	Deutsche Bank Ltd.
Hong Kong	Deutsche Bank AG	Russia	AO Citibank
Hungary	Citibank Europe Plc, Hungarian Branch Office	Saudi Arabia	HSBC Saudi Arabia Limited
Iceland	Landsbankinn hf	Senegal	Société Générale de Banques en Côte d'Ivoire
Iceland	Islandsbanki hf	Serbia	UniCredit Bank Serbia JSC



# Terms and Conditions of Investment

Singapore	DBS Bank Ltd.	Togo	Société Générale de Banques en Côte
Singapore	United Overseas Bank Limited	d'Ivoire Trinidad & Tobago	Republic Bank Ltd.
	Citibank Europe plc, pobočka zahraničnej banky	Tunisia	Banque Internationale Arabe de Tunisie
Slovenia	UniCredit Banka Slovenija d.d.	Turkey	Deutsche Bank A.S.
South Africa	Standard Bank of South Africa Ltd.	Turkey	Citibank A.S.
South Korea	HSBC Ltd. Korea Branch	UAE	HSBC Bank Middle East Limited
South Korea	Deutsche Bank Seoul	Uganda	Stanbic Bank Uganda Limited
Spain	Banco Bilbao Vizcaya Argentaria S.A.	UK	Deutsche Bank AG
Spain	Santander Securities Services S.A.	UK	The Bank of New York Mellon
Sri Lanka	HSBC Ltd. Sri Lanka Branch	Ukraine	Citibank Ukraine
Swaziland	Standard Bank Swaziland Limited	Uruguay	Banco Itaú Uruguay S.A.
Sweden	Skandinaviska Enskilda Banken	US	The Bank of New York Mellon
Switzerland	Credit Suisse AG	Venezuela	Citibank N.A., Caracas Branch
Switzerland	UBS Switzerland AG	Vietnam	HSBC Bank (Vietnam) Ltd
Taiwan	HSBC Bank (Taiwan) Limited	Zambia	Stanbic Bank Zambia Limited
Tanzania	Stanbic Bank Tanzania Limited	Zimbabwe	Stanbic Bank Zimbabwe Limited
Thailand	HSBC Ltd., Thailand Branch		

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