

# **DIGITAL FUNDS**

*Investment Company with Variable Capital*  
*Undertaking for Collective Investment in Transferable Securities*  
*under Luxembourg law*  
2C, rue Albert Borschette L-1246 Luxembourg

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## **PROSPECTUS**

1 October 2019

Distribution of this Prospectus is not authorized unless it is accompanied by a copy of the latest available annual report of DIGITAL FUNDS (the "Fund") containing the audited balance sheet and a copy of the latest half-yearly report, if published after such annual report. These documents, as well as all other documents concerning the Fund and available to the general public, can be obtained (free of charge) from Northern Trust Global Services SE, 6 rue Lou Hemmer L-1748 Senningerberg.

# DIGITAL FUNDS

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L-1246 Luxembourg

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## INTRODUCTION

DIGITAL FUNDS (the “Fund”) is an investment company qualifying as an “*Investment Company with Variable Capital*” (SICAV) with multiple Sub-Funds under the laws of the Grand Duchy of Luxembourg, which invests and intends to invest in transferable securities and/or in other liquid financial assets referred to in article 41, paragraph (1) of the UCI Law, in compliance with the investment policy of each particular Sub-Fund. The Fund complies with the requirements of the UCITS Directive 2009/65/EC.

The Fund is registered under the December 17, 2010 law relating to Undertakings for Collective Investment, as amended (the “Law” or the “UCI Law”). This registration pursuant to the Law does not require any Luxembourg authority to approve or disapprove either the adequacy of this Prospectus or the portfolios of securities held by the Fund. Any representation to the contrary is unauthorized and unlawful.

This Prospectus contains important information; please read it carefully before investing and keep it for future reference. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not allowed. In particular, the Fund represents and warrants that its units/shares will not be offered, sold or delivered to Investors who are US Persons. A US Person is any person who:

- (i) is a United States person within the meaning of Section 7701(a)(30) of the US Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder;
- (ii) is a US person within the meaning of Regulation S under the US Securities Act of 1933 (17 CFR § 230.902(k));
- (iii) is not a Non-United States person within the meaning of Rule 4.7 of the US Commodity Futures Trading Commission Regulations (17 CFR § 4.7(a)(1)(iv));
- (iv) is in the United States within the meaning of Rule 202(a)(30)-1 under the US Investment Advisers Act of 1940, as amended; or
- (v) any trust, entity or other structure formed for the purpose of allowing US Persons to invest in the Fund.

No person is authorized to give any information or to make any representations other than those contained in this Prospectus or the documents mentioned therein and which are available for consultation by the general public. The Directors of the Fund are responsible for all information set out in this Prospectus at the time of its publication.

This Prospectus is susceptible to changes concerning the addition or suppression of Sub-Funds as well as other modifications. Therefore it is advisable for subscribers to ask the Fund for the most recent issue of the Prospectus.

Potential subscribers to the Fund should inform themselves on applicable laws and regulations (*i.e.* as to the possible tax requirements or foreign exchange control) of the countries of their citizenship, residence or domicile, and which might be relevant to the subscription, purchase, holding, conversion and redemption of Shares.

Any reference to “USD” in this Prospectus refers to the lawful currency of the United States of America.

Any reference to “GBP” in this Prospectus refers to the lawful currency of the United Kingdom.

Any reference to “EUR” in this Prospectus refers to the lawful currency of the Member States of the European Union.

The reference currency of the Fund is the “EUR”.

Distribution of this Prospectus is not authorized unless a copy of the latest available annual report and a copy of the latest half-yearly report accompany it if published after such annual report. These documents are part of the Prospectus.

### **Data protection**

In accordance with the applicable Luxembourg data protection law and, as of 25 May 2018, the Regulation n°2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (“Data Protection Law”), the Fund, as data controller, collects, stores and processes, by electronic or other means, the data supplied by investors for the purpose of fulfilling the services required by the investors and complying with its legal and regulatory obligations. The data processed includes in particular the name, contact details (including postal or email address), banking details, invested amount and holdings in the Fund of investors (“Personal Data”). The investor may at his/her discretion refuse to communicate Personal Data to the Fund. In this case, however, the Fund may reject a request for Shares. Each investor has a right to access his/her Personal Data and may ask for Personal Data to be rectified where it is inaccurate or incomplete by writing to the Fund at its registered office, as indicated in the Directory.

Personal Data supplied by investors is processed in order to subscribe for Shares in the Fund, for the legitimate interests of the Fund and to comply with the legal obligations imposed on the Fund. In particular, the Personal Data supplied by investors is processed for the purposes of (i) processing subscriptions, redemptions and conversions of Shares and payments of dividends to investors, (ii) account administration, (iii) client relationship management, (iv) performing controls on excessive trading and market timing practices, (v) tax identification as may be required under Luxembourg or foreign laws and regulations (including laws and regulations relating to FATCA or CRS) and (vi) compliance with applicable anti-money laundering rules. Data supplied by shareholders is also processed for the purpose of maintaining the register of shareholders of the Fund. In addition, Personal Data may be processed for the purposes of marketing. Each investor has the right to object to the use of its Personal Data for marketing purposes by writing to the Fund.

The Personal Data may also be processed by the Fund’s data processors (the “Processors”) which, in the context of the above mentioned purposes, refer to the Management Company, the Depositary and Paying Agent, the Central Administration. The Processors may be located either inside or outside the European Union and, in particular, in the United States of America, Norway and Switzerland. Any transfer of Personal Data to the Processors located in the United States of America, Norway and Switzerland relies on adequacy decisions of the EU Commission pursuant to which the United States of America, Norway and Switzerland are considered to offer an adequate level of protection for Personal Data. Any disclosure of your Personal Data to Processors located outside the EEA shall be made upon data transfer agreements in the form of the EU Commission approved model contractual clauses (as amended from time to time) (the “Model Clauses”) or any other measures satisfying the requirements of the Data Protection Law for such disclosure. In this respect, you have a right to request copies of the relevant transfer documents for enabling the Personal Data transfer(s) towards such countries by writing to us. The Fund may also transfer Personal Data to third parties such as governmental or regulatory agencies, including tax authorities, in or outside the European Union, in accordance with applicable laws and regulations. In particular, such Personal Data may be disclosed to the Luxembourg tax authorities, which in turn may acting as data controller, disclose the same to foreign tax authorities.

In accordance with the conditions laid down by the Data Protection Law, the investors acknowledge their right to:

- access their Personal Data;
- correct their Personal Data where it is inaccurate or incomplete;
- object to the processing of their Personal Data;
- ask for erasure of their Personal Data;
- ask for Personal Data portability.

The investors may exercise the above rights by writing to the Fund at the following address: 2C, rue Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg.

The investors also acknowledge the existence of their right to lodge a complaint with the National Commission for Data Protection (“CNPD”) at the following address: 1, avenue du Rock’n’Roll, L-4361 Esch-sur-Alzette, Grand Duchy of Luxembourg.

Personal Data will not be retained for a period longer than necessary for the purpose of the data processing, subject to applicable legal minimum retention periods.

By subscribing to the Fund’s Shares, each investor consents to such processing of its personal data.

**Potential subscribers should note that the structure of the Prospectus is such that it distinguishes the part made up of *Chapters 2 to 21*, on the one hand, and *Chapter 1*, on the other hand. The *Chapters 2 to 21* contain the regulations, to which the Fund as a whole and each of its Sub-Funds are subjected, whereas *Chapter 1* contains the regulations applicable to each individual Sub-Fund in addition or in derogation to the general regulations.**

**CHAPTER 1. – SUB-FUND PARTICULARS**

DIGITAL FUNDS – Investment Company with Variable Capital

*DIGITAL FUNDS Stars Europe***A. DIGITAL FUNDS Stars Europe****or “DIGITAL Stars Europe”****1. Investment objectives and policy**

The objective of DIGITAL FUNDS Stars Europe (referred to herein as the “Sub-Fund” or “DIGITAL Stars Europe”) is to achieve long-term appreciation of its capital and to outperform the broad European markets, through the use of a sophisticated quantitative model to identify the “stars” performers.

The Sub-Fund will invest in equities from the EU member states, United Kingdom, Norway and Switzerland. The universe consists currently of approximately 4000 listed equities covered by the research of at least one broker. For safety reasons, the Sub-Fund will currently be interested only in approximately 1700 equities followed by at least 3 brokers and whose capitalization exceeds EUR 100 M. Such list will be updated at least on a quarterly basis to take into consideration the new introduction as well as any change in company coverage intensity or capitalization.

It should be noted that the Sub-Fund will be invested across all markets capitalization spectrum including Large Cap equities.

The Sub-Fund is eligible to the regulations governing the French PEA.

This strategy has the benefit of keeping constantly in the Sub-Fund very liquid assets in case of any major crisis.

The Sub-Fund will constantly invest at least 80% of its net assets in equities which are part of the universe defined above. However, a maximum of 10% of the net assets of the Sub-Fund can be invested in equities whose capitalization is below EUR 100 M.

The Sub-Fund may also invest up to 10% of its net assets in transferable debt securities rated at least A by Standard and Poor’s or similar by other rating agencies at the time of their purchase.

Within the limits set forth in *Chapter 20 “Investment Guidelines and Restrictions”*, the Sub-Fund is authorized, for the purpose of efficient portfolio management, to use techniques and instruments relating to transferable securities, techniques and instruments intended to provide protection against exchange risks in the context of the management of its assets and liabilities and to enter into synthetic equity swaps with a first financial institution which specialize in this kind of transaction to seek exposure to transferable securities. Within the limits set forth here above, the Sub-Fund may enter into transactions which are undertaken for purposes other than hedging provided those transactions have no negative effect on the quality of the investment policy. The Sub-Fund exposure to the equity market will remain between 80 and 100%.

The Sub-Fund will use a quantitative model using a development made on price momentum. The Price Momentum is a statistical concept to measure the significance of a price movement relative to the market. When used with the right timing for buying and selling, the strategy has generally produced superior performance as shown by the track record of similar funds managed by J.Chahine Capital.

A quantitative model based on earnings revisions may also be applied to buy or sell stocks.

It is expected that the stock selection will comprise between 50 and 250 equities. Should any major negative event occur on a stock, the Management Company will use quantitative valuations such as the Risk Premium, to decide whether to sell the stock. Such exceptional decisions should not exceed 20 per year.

The asset rotation is theoretically one per year (purchases of 100% and sales of 100% of assets). This figure can be exceeded in the case of significant important movements in the assets of the Sub-Fund.

The Sub-Fund may enter into securities lending transactions as lender of securities. A maximum of 100% of the assets held by the Sub-Fund, but only stocks can be subject to securities lending transactions. The expected percentage of the assets subject to securities lending transactions is between 30% and 80%.

For the time being, the Sub-Fund will not enter into (i) repurchase transactions and reverse repurchase transactions as buyer or seller, (ii) buy-sell back transactions and sell-buy back transactions as buyer or seller, (iii) total return swaps and (iv) margin lending transactions and if the Sub-Fund will enter into the aforementioned instruments, the Prospectus shall be, accordingly, immediately updated.

## **2. Profile of typical investors**

The Sub-Fund is suitable for long-term investors who consider investments in the Sub-Fund as a convenient way of participating in capital markets movements and do not need current income. The investor must be able to accept substantial year-to-year volatility in value in exchange for potentially high long-term returns. As a consequence, the Sub-Fund is suitable for investors who can afford, in principle, to set aside the capital for a period of at least 5 years. It is designed for the investment objective of building up capital.

## **3. Reference Currency**

The Net Asset Value of the Sub-Fund will be determined in EUR.

## **4. Calculation Currency**

The Net Asset Value of the Classes "Acc", "Acc 1", "D", "D 1", "I", "R", "S" and "P" will be calculated in EUR.

The Net Asset Value of the Class "GBP" will be calculated in GBP.

Class "GBP" Shares participates in the portfolio according to their entitlements. Class "GBP" Shares may occasionally seek to benefit from a specific hedging complement on a case-by-case basis under which the non-GBP portfolio assets attributable to them are intended to be hedged against the GBP on a roll-over monthly basis. The hedging costs are borne by the Class "GBP".

The Net Asset Value of the Classes "USD" and "I USD" will be calculated in USD.

Shares of Classes "USD" and "I USD" participate in the portfolio according to their entitlements. They may occasionally seek to benefit from a specific hedging complement on a case-by-case basis under which the non-USD portfolio assets attributable to them are intended to be hedged against the USD on a roll-over monthly basis. The hedging costs are borne by these Share Classes.

It is not the intention to fully hedge and no insurance is given that this hedging objective will be achieved.

## 5. *ISIN codes*

Class	ISIN code
Acc	LU0090784017
Acc 1	LU1731919103
GBP	LU0259627379
USD	LU0274905818
R	LU0323041763
S	LU1651323278
D	LU0905713201
D 1	LU1731919525
I	LU1506569661
P	LU2005654798
I USD	LU2049410926

## 6. *Offerings*

The offer price of the Shares of the Sub-Fund is calculated on each Valuation Day (as defined under Chapter 9 “Net Asset Value”). The offer price per Shares “Acc”, “Acc 1”, “GBP”, “USD”, “R”, “D”, “D1”, “I”, “P” and “I USD” will correspond to the applicable Net Asset Value and may be increased by a subscription fee of up to 5% of the Net Asset Value to be retained by the Fund, or to be distributed to the authorised distribution intermediaries or to the Management Company, at the discretion of the Management Company.

The offer price per Shares “S” will correspond to the applicable Net Asset Value systematically increased by a subscription fee of 5% of the Net Asset Value to be retained by the Fund, or to be distributed to the authorised distribution intermediaries or to the Management Company, at the discretion of the Management Company.

In case subscription fee is retained by the Fund for a Class, for all the subscriptions orders received in the same day for this Class, the Fund shall retain the same subscription fee percentage.

Application forms will have to be received before 3:00 pm on the business day in Luxembourg preceding a Valuation Day otherwise they shall be taken into consideration on the next Valuation Day.

The proceeds of the subscriptions must be received by the Fund in Luxembourg within two Business Days following the relevant Valuation Day.

Shares of the Class “I USD” may be subscribed from 1 October 2019 to 7 October 2019 included but no later than 3.00 p.m., Luxembourg time (the “Initial Subscription Period”). Payment of the Initial Subscription Price must be effected on 10 October 2019. The Board of Directors may at its discretion decide to close the Initial Subscription Period at an earlier date or extend it.

Shares of the Classes “Acc 1”, “D 1”, “I” and “I USD” may only be acquired in the case of investment through Distributors or Intermediaries that, according to regulatory requirements or based on individual fee arrangements with their clients, are not allowed to accept or retain trail commissions.

Shares of the Classes “D 1” and “I” require a minimum initial investment of EUR 5.000.000 (or the equivalent in another currency). This minimum initial investment amount can be waived upon decision of the Board of



Directors.

Shares of the Classe “I USD” require a minimum initial investment of USD 5.000.000 (or the equivalent in another currency). This minimum initial investment amount can be waived upon decision of the Board of Directors.

Shares of the Classes “Acc”, “Acc 1”, “D”, “GBP”, “P”, “R”, “S” and “USD” are not subject to a minimum initial investment.

Shares of the Classes “D 1”, “I” and “I USD” are reserved for institutional investors under article 174 of the 2010 Law.

Shares of the Classes “Acc”, “Acc 1”, “D”, “GBP”, “P”, “R”, “S” and “USD” are available for all investors.

## **7. Form of Shares**

The Shares of the Sub-Fund are issued in registered form. Fractions of registered Shares will be allotted up to three decimal places. Shares will be inscribed in the Register of Shareholders and shareholders will receive a confirmation of their shareholding, and upon specific request, a Share certificate.

## **8. Distribution Policy**

This Sub-Fund will pursue both an accumulation policy and a distribution policy. Therefore, this Sub-Fund will issue two types of Shares:

- Shares of Class “Acc”, “Acc 1”, “R”, “S”, “I” and “P” in EUR and shares of Classes “USD” and “I USD” in USD (= accumulation shares), which bring them no rights to distributions. The income attached to these shares is automatically reinvested.
- Shares of Class “GBP” in GBP and shares of Class “D” and “D 1” in EUR (= distribution shares), which entitle the shareholder to an annual distribution.

## **9. Listing**

All Classes of Shares of the Sub-Fund are receivable to be listed on the Luxembourg Stock Exchange.

## **10. Redemption & Conversion**

Shareholders of the Sub-Fund may request redemption of their Shares on each Valuation Day. The redemption price per Share will correspond to the applicable Net Asset Value with no redemption fee.

Shareholders of the Sub-Fund may request conversion of their Shares into another Sub-Fund on each Valuation Day. The conversion price per Share will correspond to the applicable Net Asset Value decreased by a conversion fee of 0.5% maximum of the Net Asset Value, to the benefit of the Sub-Fund converted.

Redemption and conversion forms will have to be received before 3:00 pm on the business day in Luxembourg preceding a Valuation Day otherwise they shall be taken into consideration on the next Valuation Day. The proceeds of the redemptions will be paid within two business days following the relevant Valuation Day.

The conversion fee, when determined, will be the same for all conversions implemented on the same day.

## **11. Costs and Expenses**

### *Management Fee*

The Management Company is entitled to a management fee payable on a monthly basis at the following annual rates of the average net asset values of the Sub-Fund during the relevant month:

Classes “Acc”, “Acc 1”, “GBP”, “USD” and “D”: 1.50% (excluding taxes)

Classes “R” and “S”: 2.00% (excluding taxes)

Class “I” and “I USD”: Maximum 1.00% (excluding taxes)

Class “D 1”: 1.00% (excluding taxes)

Class “P”: 2.20% (excluding taxes)

The management fee is paid to the Management Company whether or not the Sub-Fund generates a profit.

### *Performance Fee*

As long as the Sub-Fund is in existence, the Management Company will receive within five business days of the last business day of each twelve-month period starting on the last Business Day of September (the “Period”) an annual performance fee of:

- for Classes “Acc”, “Acc 1”, “GBP”, “USD”, “D”, “D 1”, “I” and “I USD”: 15% (excluding taxes) of the net assets (converted in shares classes currency) out performance of the MSCI Europe Net Return Index (or any other suitable index should this benchmark be replaced or changed upon decision of the Board of Directors) during the Period (adjusted on a pro rata temporis basis for subscriptions and redemptions made in the Sub-Fund during the Period),

- for Classes “P”, “R” and “S”: 20% (excluding taxes) of the net assets (converted in shares classes currency) out performance of the MSCI Europe Net Return Index (or any other suitable index should this benchmark be replaced or changed upon decision of the Board of Directors) during the Period (adjusted on a pro rata temporis basis for subscriptions and redemptions made in the Sub-Fund during the Period),

MSCI Europe Net Return Index is defined as the “**Performance Index**” or the “**Benchmark**”.

When outperforming the Performance Index during the Period notwithstanding a decline in the Net Asset Value during such period, the Management Company will thus also receive a performance fee in case of a decline in the Net Asset Value during the Period.

The Management Company has adopted written plans setting out actions, which it will take with respect to the Sub-Fund in the event that the MSCI Europe Net Return Index materially changes or ceases to be provided (the “**Contingency Plans**”), as required by article 28(2) of the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the “**Benchmarks Regulation**”), as may be amended or supplemented from time to time. Shareholders may access the Contingency Plans on demand and free of charge at the registered office of the Management Company.

MSCI Europe Net Return Index is being provided by MSCI Limited, in its capacity as administrator, as defined in the Benchmarks Regulation of the relevant benchmark (the “**Benchmark Administrator**”). As of the date of this

visa-stamped Prospectus, the Benchmark Administrator is listed in the register referred to in article 36 of the Benchmarks Regulation as an administrator authorised pursuant to article 34 of the Benchmarks Regulation.

For the Class “P”, the initial period for the calculation of the performance fee starts on the launching day until the last Business Day of September 2019.

For the Class “I USD”, the initial period for the calculation of the performance fee shall start on the launching day until the last Business Day of September 2020.

For the unhedged Shares classes, the Benchmark is converted into Shares class currency.

For the hedged shares classes, the Benchmark is hedged against the Shares class currency.

The performance fee is crystallized for redemptions.

The performance fee will be accrued daily and paid out to the Management Company within five business days of the last business day of each Period.

For purposes of applying the performance fee rate, the Management Company begins each twelve-months period with zero gains. If there is an under performance at the end of the twelve-months period, it will not be carried forward in the following twelve-months period; under performance means that the net asset value increase or decrease is less than the increase or more than the decrease respectively of the Performance Index.

Performance in net assets means the difference (positive or negative) between the net assets at the end of the Period (after deduction of management fees and other liabilities, but before deduction of current performance fees and adjusted on a temporary basis for subscriptions and redemptions made during the Period) and the net assets as of the beginning of the Period.

## **12. Risk Factors**

DIGITAL Stars Europe is a European Equity Sub-Fund. Apart from the usual risk associated with the holding of equities, the Sub-Fund is vulnerable to liquidity issues associated with the small cap equities it holds. In the case of severe market downturn, the shareholders who want to withdraw their assets might have to wait until illiquid assets have been sold according to the rules of the Fund. It should be noted that the inclusion of large cap equities in the construction of the Sub-Fund will be an advantage. The expected volatility should tend to be of the same magnitude or less than the benchmark to produce a superior Sharpe Ratio. The inclusion of the United Kingdom, Denmark, Norway, Sweden and Switzerland, or any other countries of the EU having another currency than the Euro, in the Sub-Fund universe can raise some currency exchange risks.

## **13. Past performance**

The historical performance of the Sub-Fund is represented by a chart inserted in the key investor information document.

Investors should note that past performance is not a guarantee for future trends. There is no guarantee that the investments will appreciate in value. The value of investments and the income derived there from may as well fall as rise and investors may not get back the amount invested. Future returns will depend on the development of the equity stock markets and how successful the Management Company is in implementing the Sub-Fund's investment policy.

#### **14. Limits concerning global exposure**

The Sub-Fund uses the commitment approach to monitor and measure at all times the risks associated with its investments and their contribution to the overall risk profile of the Sub-Fund's portfolio.

The risk management procedure is also applied within the scope of collateral management (see section "Collateral management") and the techniques and instruments for the efficient management of the portfolio (see section "Special techniques and instruments relating to transferable securities").

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**CHAPTER 1. – SUB-FUND PARTICULARS**

DIGITAL FUNDS – Investment Company with Variable Capital

***DIGITAL FUNDS Stars Europe Ex-UK*****B. DIGITAL FUNDS Stars Europe Ex-UK****or “DIGITAL Stars Europe Ex-UK”****1. Investment objectives and policy**

The objective of DIGITAL FUNDS Stars Europe Ex-UK (referred to herein as the “Sub-Fund” or “DIGITAL Stars Europe Ex-UK”) is to achieve long-term appreciation of its capital and to outperform the broad European markets (excluding United Kingdom), through the use of a sophisticated quantitative model to identify the “stars” performers.

The Sub-Fund will invest in equities from the EU member states, Norway and Switzerland but excluding the United Kingdom. The universe consists currently of approximately 3000 equities covered by the research of at least one broker. For safety reasons, the Sub-Fund will currently be interested only in approximately 1200 equities followed by at least 3 brokers and whose capitalization exceeds EUR 100 M. Such list will be updated at least on a quarterly basis to take into consideration the new introduction as well as any change in company coverage intensity or capitalization.

It should be noted that the Sub-Fund will be invested across all markets capitalization spectrum including Large Cap equities.

The Sub-Fund is eligible to the regulations governing the French PEA.

This strategy has the benefit of keeping constantly in the Sub-Fund very liquid assets in case of any major crisis.

The Sub-Fund will constantly invest at least 80% of its net assets in equities which are part of the universe defined above. However, a maximum of 10% of the net assets of the Sub-Fund can be invested in equities whose capitalization is below EUR 100 M.

The Sub-Fund may also invest up to 10% of its net assets in transferable debt securities rated at least A by Standard and Poor’s or similar by other rating agencies at the time of their purchase.

Within the limits set forth in *Chapter 20 “Investment Guidelines and Restrictions”*, the Sub-Fund is authorized, for the purpose of efficient portfolio management, to use techniques and instruments relating to transferable securities, as well as use techniques and instruments intended to provide protection against exchange risks in the context of the management of its assets and liabilities and to enter into synthetic equity swaps with a first financial institution which specialize in this kind of transaction to seek exposure to transferable securities. Within the limits set forth here above, the Sub-Fund may enter into transactions which are undertaken for purposes other than hedging provided those transactions have no negative effect on the quality of the investment policy. The Sub-Fund exposure to the equity market will remain between 80 and 100%.

The Sub-Fund will use a quantitative model using a development made on price momentum. The Price Momentum is a statistical concept to measure the significance of a price movement relative to the market. When used with the right timing for buying and selling, the strategy has generally produced superior performance as shown by the track record of similar funds managed by J.Chahine Capital.

A quantitative model based on earnings revisions may also be applied to buy or sell stocks.

It is expected that the stock selection will comprise between 50 and 250 equities. Should any major negative event occur on a stock, the Management Company will use quantitative valuations such as the Risk Premium, to decide whether to sell the stock. Such exceptional decisions should not exceed 20 per year.

The asset rotation is theoretically one per year (purchases of 100% and sales of 100% of assets). This figure can be exceeded in the case of significant important movements in the assets of the Sub-Fund.

The Sub-Fund may enter into securities lending transactions as lender of securities. A maximum of 100% of the assets held by the Sub-Fund, but only stocks can be subject to securities lending transactions. The expected percentage of the assets subject to securities lending transactions is between 30% and 80%.

For the time being, the Sub-Fund will not enter into (i) repurchase transactions and reverse repurchase transactions as buyer or seller, (ii) buy-sell back transactions and sell-buy back transactions as buyer or seller, (iii) total return swaps and (iv) margin lending transactions and if the Sub-Fund will enter into the aforementioned instruments, the Prospectus shall be, accordingly, immediately updated.

## **2. *Profile of typical investors***

The Sub-Fund is suitable for long-term investors who consider investments in the Sub-Fund as a convenient way of participating in capital markets movements and do not need current income. The investor must be able to accept substantial year-to-year volatility in value in exchange for potentially high long-term returns. As a consequence, the Sub-Fund is suitable for investors who can afford, in principle, to set aside the capital for a period of at least 5 years. It is designed for the investment objective of building up capital.

## **3. *Reference Currency***

The Net Asset Value of the Sub-Fund will be determined in EUR.

## **4. *Calculation Currency***

The Net Asset Value of the Classes of shares "Acc", "Acc 1", "Acc 2", "I", and "P" will be calculated in EUR.

The Net Asset Value of the Class "GBP" will be calculated in GBP.

Class "GBP" Shares participates in the portfolio according to its entitlements. Class "GBP" Shares may occasionally seek to benefit from a specific hedging complement on a case-by-case basis under which the non-GBP portfolio assets attributable to it are intended to be hedged against the GBP on a roll-over monthly basis. The hedging costs are borne by the Class "GBP". It is not the intention to fully hedge and no insurance is given that this hedging objective will be achieved.

## 5. *ISIN codes*

Class	ISIN code
Acc	LU0259626645
Acc 1	LU1731919871
GBP	LU0259626991
I	LU0997310957
Acc 2	LU1731919954
P	LU2005655092

## 6. *Offerings*

The offer price of the Shares of the Sub-Fund will be calculated on each Valuation Day (as defined under Chapter 9 “Net Asset Value”). The offer price per Share will correspond to the applicable Net Asset Value and, for the Shares of Classes “Acc”, “Acc 1”, “GBP”, “I”, “Acc 2” and “P”, may be increased by a subscription fee of up to 5% of the Net Asset Value to be retained by the Fund, or to be distributed to the authorised distribution intermediaries or to the Management Company, at the discretion of the Management Company.

In case subscription fee is retained by the Fund for a Class, for all the subscriptions orders received in the same day for this Class, the Fund shall retain the same subscription fee percentage. Application forms will have to be received before 3:00 pm on the business day in Luxembourg preceding a Valuation Day otherwise they shall be taken into consideration on the next Valuation Day.

The proceeds of the subscriptions must be received by the Fund in Luxembourg within two Business Days following the relevant Valuation Day.

Shares of Classes “Acc 1”, “Acc 2” and “I” may only be acquired in the case of investment through Distributors or Intermediaries that, according to regulatory requirements or based on individual fee arrangements with their clients, are not allowed to accept or retain trail commissions.

Shares of the Class “I” require a minimum initial investment of EUR 60.000.000 (or the equivalent in another currency) and Shares of the Class “Acc 2” require a minimum initial investment of EUR 30.000.000 (or the equivalent in another currency).

Any subsequent subscription of the same investor is not subject to a minimum subscription amount.

These minimum initial investment amounts can be waived upon decision of the Board of Directors.

Shares of the Classes “Acc”, “Acc 1”, “GBP”, and “P” are not subject to a minimum initial investment.

Shares of the Classes “I” are reserved for institutional investors under article 174 of the 2010 Law.

Shares of the Classes “Acc”, “Acc 1”, “Acc 2”, “GBP” and “P” are available for all investors.

## 7. *Form of Shares*

The Shares of the Sub-Fund are issued in registered form. Fractions of registered Shares will be allotted up to three decimal places. Shares will be inscribed in the Register of Shareholders and shareholders will receive a confirmation of their shareholding, and upon specific request, a Share certificate.

## **8. Distribution Policy**

This Sub-Fund will pursue both an accumulation policy and a distribution policy. Therefore, this Sub-Fund will issue two types of Shares:

- Shares of Class “Acc”, “Acc 1”, “Acc 2”, “I” and “P” in EUR (= accumulation shares), which bring them no rights to distributions. The income attached to these shares is automatically reinvested.
- Shares of Class “GBP” in GBP (= distribution shares), which entitle the shareholder to an annual distribution.

## **9. Listing**

All Classes of Shares of the Sub-Fund are receivable to be listed on the Luxembourg Stock Exchange.

## **10. Redemption & Conversion**

Shareholders of the Sub-Fund may request redemption of their Shares on each Valuation Day. The redemption price per Share will correspond to the applicable Net Asset Value with no redemption fee.

Shareholders of the Sub-Fund may request conversion of their Shares into another Sub-Fund on each Valuation Day. The conversion price per Share will correspond to the applicable Net Asset Value decreased by a conversion fee of 0.5% maximum of the Net Asset Value, to the benefit of the Sub-Fund converted.

Redemption and conversion forms will have to be received before 3:00 pm on the business day in Luxembourg preceding a Valuation Day otherwise they shall be taken into consideration on the next Valuation Day. The proceeds of the redemptions will be paid within two business days following the relevant Valuation Day.

The conversion fee, when determined, will be the same for all conversions implemented on the same day.

## **11. Costs and Expenses**

### *Management Fee*

The Management Company is entitled to a management fee payable on a monthly basis at the following annual rates of the average net asset values of the Sub-Fund during the relevant month:

Classes “Acc”, “Acc 1” and “GBP”: 1.50% (excluding taxes)

Class “I”: Maximum 1.00% (excluding taxes)

Class “Acc 2”: 1.00% (excluding taxes)

Class “P”: 2.20% (excluding taxes)

The management fee is paid to the Management Company whether or not the Sub-Fund generates a profit.

### *Performance Fee*

As long as the Sub-Fund is in existence, the Management Company will receive within five business days of the last business day of each twelve-month period starting on the last Business Day of September (the “Period”) an annual performance fee of:

- for Classes “Acc”, “Acc 1”, “GBP”, “I” and “Acc 2”: 15% (excluding taxes) of the net assets (converted in shares



classes currency) out performance of the MSCI Europe ex UK Net Return Index (or any other suitable index should this benchmark be replaced or changed upon decision of the Board of Directors) during the Period (adjusted on a pro rata temporis basis for subscriptions and redemptions made in the Sub-Fund during the Period),

- for Class Class “P”: 20% (excluding taxes) of the net assets out performance of the MSCI Europe ex UK Net Return Index (converted in Shares classes currency) (or any other suitable index should this benchmark be replaced or changed upon decision of the Board of Directors) during the Period (adjusted on a pro rata temporis basis for subscriptions and redemptions made in the Sub-Fund during the Period),

MSCI Europe ex UK Net Return Index is defined as the “**Performance Index**” or the “**Benchmark**”.

When outperforming the Performance Index during the Period notwithstanding a decline in the Net Asset Value during such period, the Management Company will thus also receive a performance fee in case of a decline in the Net Asset Value during the Period.

The Management Company has adopted written plans setting out actions, which it will take with respect to the Sub-Fund in the event that the MSCI Europe ex UK Net Return Index materially changes or ceases to be provided (the “**Contingency Plans**”), as required by article 28(2) of the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the “**Benchmarks Regulation**”), as may be amended or supplemented from time to time. Shareholders may access the Contingency Plans on demand and free of charge at the registered office of the Management Company.

MSCI Europe ex UK Net Return Index is being provided by MSCI Limited, in its capacity as administrator, as defined in the Benchmarks Regulation of the relevant benchmark (the “**Benchmark Administrator**”). As of the date of this visa-stamped Prospectus, the Benchmark Administrator is listed in the register referred to in article 36 of the Benchmarks Regulation as an administrator authorised pursuant to article 34 of the Benchmarks Regulation.

For the Class “P”, the initial period for the calculation of the performance fee starts on the launching day until the last Business Day of September 2019.

For the unhedged Shares classes, the Benchmark is converted into Shares class currency.

For the hedged Shares classes, the Benchmark is hedged against the Shares class currency.

The performance fee is crystallized for redemptions. The performance fee will be accrued daily and paid out to the Management Company within five business days of the last business day of each Period.

For purposes of applying the performance fee rate, the Management Company begins each twelve-months period with zero gains. If there is an under performance at the end of the twelve-months period, it will not be carried forward in the following twelve-months period; under performance means that the net asset value increase or decrease is less than the increase or more than the decrease respectively of the Performance Index.

Performance in net assets means the difference (positive or negative) between the net assets at the end of the Period (after deduction of management fees and other liabilities, but before deduction of current performance fees and adjusted on a temporary basis for subscriptions and redemptions made during the Period) and the net assets as of the beginning of the Period.

## **12. Risk Factors**

DIGITAL Stars Europe Ex-UK is a European Equity Sub-Fund. Apart from the usual risk associated with the holding of equities, the Sub-Fund is vulnerable to liquidity issues associated with the small cap equities it holds. In the case of severe market downturn, the shareholders who want to withdraw their assets might have to wait until illiquid assets have been sold according to the rules of the Fund. It should be noted that the inclusion of large cap equities in the construction of the Sub-Fund will be an advantage. The expected volatility should tend to be of the same magnitude or less than the benchmark to produce a superior Sharpe Ratio. The Class “GBP” Shares may be subject to the risk of fluctuation of the GBP relative to the Euro in which the majority of the investment is held.

## **13. Past performance**

The historical performance of the Sub-Fund will be represented by a chart inserted in the key investor information document one year after its launch.

Investors should note that past performance is not a guarantee for future trends. There is no guarantee that the investments will appreciate in value. The value of investments and the income derived there from may as well fall as rise and investors may not get back the amount invested. Future returns will depend on the development of the equity stock markets and how successful the Management Company is in implementing the Sub-Fund’s investment policy.

## **14. Limits concerning global exposure**

The Sub-Fund uses the commitment approach to monitor and measure at all times the risks associated with its investments and their contribution to the overall risk profile of the Sub-Fund’s portfolio.

The risk management procedure is also applied within the scope of collateral management (see section “Collateral management”) and the techniques and instruments for the efficient management of the portfolio (see section “Special techniques and instruments relating to transferable securities”).

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**CHAPTER 1. – SUB-FUND PARTICULARS**

DIGITAL FUNDS – Investment Company with Variable Capital

*DIGITAL FUNDS Stars Europe Smaller Companies***C. DIGITAL FUNDS Stars Europe Smaller  
Companies****or “DIGITAL Stars Europe Smaller Companies”****1. Investment objectives and policy**

The objective of DIGITAL FUNDS Stars Europe Smaller Companies (referred to herein as the “Sub-Fund” or “DIGITAL Stars Europe Smaller Companies”) is to achieve long-term appreciation of its capital and to outperform the European Small Cap markets, through the use of a sophisticated quantitative model to identify the “stars” performers..

The Sub-Fund will invest in equities from the EU member states, United Kingdom, Norway and Switzerland. The universe consists of listed equities of companies covered by the research of at least one broker and whose market capitalization is equal or less than the company having the greatest Market capitalization in the MSCI Europe Small Cap Index. For safety reasons, the Sub-Fund will currently be interested only in equities of companies whose market capitalization exceeds EUR 50 M and the portion of equities whose market capitalization is below EUR 300 Mio will not exceed 30% of the net assets of the Sub-Fund. Such list will be updated at least on a quarterly basis to take into consideration the new introduction as well as any change in company coverage intensity or capitalization.

The Sub-Fund is eligible to the regulations governing the French PEA.

The Sub-Fund will constantly invest at least 80% of its net assets in equities which are part of the universe defined above. However, a maximum of 10% of the net assets of the Sub-Fund can be invested in company stock whose market capitalization is below EUR 50 M or company stock whose market capitalisation is greater than the company having the greatest Market capitalization in the MSCI Europe Small Cap Index.

The Sub-Fund may also invest up to 10% of its net assets in transferable debt securities rated at least A by Standard and Poor’s or similar by other rating agencies at the time of their purchase.

Within the limits set forth in *Chapter 20 “Investment Guidelines and Restrictions”*, the Sub-Fund is authorized, for the purpose of efficient portfolio management, to use techniques and instruments relating to transferable securities, techniques and instruments intended to provide protection against exchange risks in the context of the management of its assets and liabilities and to enter into synthetic equity swaps with a first financial institution which specialize in this kind of transaction to seek exposure to transferable securities. Within the limits set forth here above, the Sub-Fund may enter into transactions which are undertaken for purposes other than hedging provided those transactions have no negative effect on the quality of the investment policy. The Sub-Fund exposure to the equity market will remain between 80 and 100%.

The Sub-Fund will use a quantitative model using a development made on price momentum. The Price Momentum is a statistical concept to measure the significance of a price movement relative to the market. When used with the right timing for buying and selling, the strategy has generally produced superior performance as shown by the track record of similar funds managed by J.Chahine Capital.

A quantitative model based on earnings revisions may also be applied to buy or sell stocks.

It is expected that the stock selection will comprise between 50 and 250 equities.

The asset rotation implied by the application of the quantitative model is theoretically one per year (purchases of 100% and sales of 100% of assets). This figure can be exceeded in the case of significant important movements in the assets of the Sub-Fund.

The Sub-Fund may enter into securities lending transactions as lender of securities. A maximum of 100% of the assets held by the Sub-Fund, but only stocks can be subject to securities lending transactions. The expected percentage of the assets subject to securities lending transactions is between 30% and 80%.

For the time being, the Sub-Fund will not enter into (i) repurchase transactions and reverse repurchase transactions as buyer or seller, (ii) buy-sell back transactions and sell-buy back transactions as buyer or seller, (iii) total return swaps and (iv) margin lending transactions and if the Sub-Fund will enter into the aforementioned instruments, the Prospectus shall be, accordingly, immediately updated.

## **2. Profile of typical investors**

The Sub-Fund is suitable for long-term investors who consider investments in the Sub-Fund as a convenient way of participating in capital markets movements and do not need current income. The investor must be able to accept substantial year-to-year volatility in value in exchange for potentially high long-term returns. As a consequence, the Sub-Fund is suitable for investors who can afford, in principle, to set aside the capital for a period of at least 5 years. It is designed for the investment objective of building up capital.

## **3. Reference Currency**

The Net Asset Value of the Sub-Fund will be determined in EUR.

## **4. Calculation Currency**

The Net Asset Value of the Classes "Acc" and "I" will be calculated in EUR.

The Net Asset Value of the class "I USD" will be calculated in USD.

Class "I USD" Shares participate in the portfolio according to their entitlements. Class "I USD" Shares may occasionally seek to benefit from a specific hedging complement on a case-by-case basis under which the non-USD portfolio assets attributable to them are intended to be hedged against the USD on a roll-over monthly basis. The hedging costs are borne by the Class "I USD".

It is not the intention to fully hedge and no insurance is given that this hedging objective will be achieved.

## **5. ISIN codes**

Class	ISIN code
Acc	LU1506569588
I	LU1651323351
I USD	LU1737512811

## **6. Offerings**

The offer price of the Shares of the Sub-Fund is calculated on each Valuation Day (as defined under Chapter 9

“Net Asset Value”). The offer price per Share will correspond to the applicable Net Asset Value and may be increased by a subscription fee of up to 5% of the Net Asset Value to be retained by the Fund, or to be distributed to the authorised distribution intermediaries or to the Management Company, at the discretion of the Management Company.

In case subscription fee is retained by the Fund for a Class, for all the subscriptions orders received in the same day for this Class, the Fund shall retain the same subscription fee percentage.

Application forms will have to be received before 3:00 pm on the business day in Luxembourg preceding a Valuation Day otherwise they shall be taken into consideration on the next Valuation Day.

The proceeds of the subscriptions must be received by the Fund in Luxembourg within two Business Days following the relevant Valuation Day.

Shares of Classes “I”, and “I USD” may only be acquired in the case of investment through Distributors or Intermediaries that, according to regulatory requirements or based on individual fee arrangements with their clients, are not allowed to accept or retain trail commissions.

Shares of the Class “I” require a minimum initial investment of EUR 5.000.000 (or the equivalent in another currency). This minimum initial investment amount can be waived upon decision of the Board of Directors.

Shares of the Class “I USD” require a minimum initial investment of USD 5.000.000 (or the equivalent in another currency). This minimum initial investment amount can be waived upon decision of the Board of Directors.

Shares of the Class “Acc” are not subject to a minimum initial investment.

Shares of the Classes “I” and “I USD” are reserved for institutional investors under article 174 of the 2010 Law.

Shares of the Class “Acc” are available for all investors.

## **7. Form of Shares**

The Shares of the Sub-Fund are issued in registered form. Fractions of registered Shares will be allotted up to three decimal places. Shares will be inscribed in the Register of Shareholders and Shareholders will receive a confirmation of their shareholding, and upon specific request, a Share certificate.

## **8. Distribution Policy**

This Sub-Fund will pursue an accumulation policy (no rights to distributions). The income attached to these Shares is automatically reinvested.

## **9. Listing**

All Classes of Shares of the Sub-Fund are receivable to be listed on the Luxembourg Stock Exchange.

## **10. Redemption & Conversion**

Shareholders of the Sub-Fund may request redemption of their Shares on each Valuation Day. The redemption price per Share will correspond to the applicable Net Asset Value with no redemption fee.

Shareholders of the Sub-Fund may request conversion of their Shares into another Sub-Fund on each Valuation Day. The conversion price per Share will correspond to the applicable Net Asset Value decreased by a conversion

fee of 0.5% maximum of the Net Asset Value, to the benefit of the Sub-Fund converted.

Redemption and conversion forms will have to be received before 3:00 pm on the business day in Luxembourg preceding a Valuation Day otherwise they shall be taken into consideration on the next Valuation Day. The proceeds of the redemptions will be paid within two business days following the relevant Valuation Day.

The conversion fee, when determined, will be the same for all conversions implemented on the same day.

## **11. Costs and Expenses**

### *Management Fee*

The Management Company is entitled to a management fee payable on a monthly basis at an annual rate of 1.50% (excluding taxes) for Class “Acc” of the average net asset values of the Sub-Fund during the relevant month.

The Management Company is entitled to a management fee payable on a monthly basis at an annual rate of maximum 1.00% (excluding taxes) for Classes “I” and “I USD” of the average net asset values of the Sub-Fund during the relevant month.

The management fee is paid to the Management Company whether or not the Sub-Fund generates a profit.

### *Performance Fee*

As long as the Sub-Fund is in existence, the Management Company will receive within five business days of the last business day of each twelve-month period starting on the last Business Day of September (the “Period”) an annual performance fee of 15% (excluding taxes) of the net assets out performance of the MSCI Europe Small Cap Index (or any other suitable index should this benchmark be replaced or changed upon decision of the Board of Directors, in such case the CSSF and investors will be informed prior to the change) during the Period (adjusted on a pro rata temporis basis for subscriptions and redemptions made in the Sub-Fund during the Period) (the “**Performance Index**”). When outperforming the Performance Index during the Period notwithstanding a decline in the Net Asset Value during such period, the Management Company will thus also receive a performance fee in case of a decline in the Net Asset Value during the Period.

The Management Company has adopted written plans setting out actions, which it will take with respect to the Sub-Fund in the event that the MSCI Europe Small Cap Index materially changes or ceases to be provided (the “**Contingency Plans**”), as required by article 28(2) of the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the “**Benchmarks Regulation**”), as may be amended or supplemented from time to time. Shareholders may access the Contingency Plans on demand and free of charge at the registered office of the Management Company.

MSCI Europe Small Cap Index is being provided by MSCI Limited, in its capacity as administrator, as defined in the Benchmarks Regulation, of the relevant benchmark (the “**Benchmark Administrator**”). As of the date of this visa-stamped Prospectus, the Benchmark Administrator is listed in the register referred to in article 36 of the Benchmarks Regulation as an administrator authorised pursuant to article 34 of the Benchmarks Regulation.

The performance fee is crystallized for redemptions.

The performance fee will be accrued daily and paid out to the Management Company within five business days of the last business day of each Period.

For purposes of applying the performance fee rate, the Management Company begins each twelve-months period with zero gains. If there is an under performance at the end of the twelve-months period, it will not be carried forward in the following twelve-months period; under performance means that the net asset value increase or decrease is less than the increase or more than the decrease respectively of the Performance Index.

Performance in net assets means the difference (positive or negative) between the net assets at the end of the Period (after deduction of management fees and other liabilities, but before deduction of current performance fees and adjusted on a temporary basis for subscriptions and redemptions made during the Period) and the net assets as of the beginning of the Period.

## **12. Risk Factors**

DIGITAL Stars Europe Smaller Companies is a European Equity Sub-Fund. Apart from the usual risk associated with the holding of equities, the Sub-Fund is vulnerable to liquidity issues associated with the small cap equities it holds. In the case of severe market downturn, the shareholders who want to withdraw their assets might have to wait until illiquid assets have been sold according to the rules of the Fund. The expected volatility should tend to be of the same magnitude or less than the benchmark to produce a superior Sharpe Ratio. The inclusion of the United Kingdom, Denmark, Norway, Sweden and Switzerland, or any other countries of the EU having another currency than the Euro, in the Sub-Fund universe can raise some currency exchange risks.

## **13. Past performance**

The historical performance of the Sub-Fund is represented by a chart inserted in the key investor information document. Investors should note that past performance is not a guarantee for future trends. There is no guarantee that the investments will appreciate in value. The value of investments and the income derived there from may as well fall as rise and investors may not get back the amount invested. Future returns will depend on the development of the equity stock markets and how successful the Management Company is in implementing the Sub-Fund's investment policy.

## **14. Limits concerning global exposure**

The Sub-Fund uses the commitment approach to monitor and measure at all times the risks associated with its investments and their contribution to the overall risk profile of the Sub-Fund's portfolio.

The risk management procedure is also applied within the scope of collateral management (see section "Collateral management") and the techniques and instruments for the efficient management of the portfolio (see section "Special techniques and instruments relating to transferable securities").

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**CHAPTER 1. – SUB-FUND PARTICULARS**

DIGITAL FUNDS – Investment Company with Variable Capital

*DIGITAL FUNDS Stars US Equities***D. DIGITAL FUNDS Stars US Equities****or “DIGITAL Stars US Equities”****1. Investment objectives and policy**

The objective of DIGITAL FUNDS Stars US Equities (referred to herein as the “Sub-Fund” or “DIGITAL Stars US Equities”) is to achieve long-term appreciation of its capital and to outperform the broad US markets, through the use of a sophisticated quantitative model aiming to identify the “stars” performers.

The Sub-Fund will invest in equities from the United States of America. The universe consists currently of approximately 3000 listed equities covered by the research of at least one analyst. For safety reasons, the Sub-Fund will currently be interested only in approximately 2400 equities followed by at least 3 analysts and whose market capitalization exceeds USD 100 M. Such list will be updated at least on a quarterly basis to take into consideration recently-listed stocks as well as any change in company coverage intensity or capitalization.

It should be noted that the Sub-Fund will be invested across all market capitalization spectrum from small-cap to large-cap equities.

This strategy has the benefit of constantly keeping in the Sub-Fund very liquid assets in case of any major crisis.

The Sub-Fund will constantly invest at least 80% of its net assets in equities which are part of the universe defined above. However, a maximum of 10% of the net assets of the Sub-Fund can be invested in equities whose capitalization is below USD 100 M.

The Sub-Fund may also invest up to 10% of its net assets in transferable debt securities from the United States of America rated at least A by Standard and Poor’s or similar by other rating agencies at the time of their purchase.

Within the limits set forth in *Chapter 20 “Investment Guidelines and Restrictions”*, the Sub-Fund is authorized, for the purpose of efficient portfolio management, to use techniques and instruments relating to transferable securities, techniques and instruments intended to provide protection against exchange risks in the context of the management of its assets and liabilities and to enter into synthetic equity swaps with a first financial institution which specializes in this kind of transaction to seek exposure to transferable securities. Within the limits set forth here above, the Sub-Fund may enter into transactions which are undertaken for purposes other than hedging provided those transactions have no negative effect on the quality of the investment policy. The Sub-Fund exposure to the equity market will remain between 80 and 100%.

The Sub-Fund will use a quantitative model using a development made on earnings revisions (“Revision Mark factor”). The Revision Mark factor is a concept to measure the strength and significance of the earnings revisions relative to the market. Other quantitative factors, like price momentum (statistical concept to measure the significance of a price movement relative to the market) or valuation ratios, may also be applied to buy or sell stocks.

It is expected that the stock selection will comprise between 50 and 250 equities. Should any major negative event occur on a stock, the Management Company will use quantitative valuations such as the Risk Premium, to



decide whether to sell the stock. Such exceptional decisions should not exceed 20 per year.

The asset rotation is theoretically two per year (purchases of 200% and sales of 200% of assets). This figure can be exceeded in the case of significant important movements in the assets of the Sub-Fund.

The Sub-Fund may enter into securities lending transactions as lender of securities. A maximum of 100% of the assets held by the Sub-Fund, but only stocks can be subject to securities lending transactions. The expected percentage of the assets subject to securities lending transactions is between 30% and 80%.

For the time being, the Sub-Fund will not enter into (i) repurchase transactions and reverse repurchase transactions as buyer or seller, (ii) buy-sell back transactions and sell-buy back transactions as buyer or seller, (iii) total return swaps and (iv) margin lending transactions and if the Sub-Fund will enter into the aforementioned instruments, the Prospectus shall be, accordingly, immediately updated.

## **2. Profile of typical investors**

The Sub-Fund is suitable for long-term investors who consider investments in the Sub-Fund as a convenient way of participating in capital markets movements and do not need current income. The investor must be able to accept substantial year-to-year volatility in value in exchange for potentially high long-term returns. As a consequence, the Sub-Fund is suitable for investors who can afford, in principle, to set aside the capital for a period of at least 5 years. It is designed for the investment objective of building up capital.

## **3. Reference Currency**

The Net Asset Value of the Sub-Fund will be determined in USD.

## **4. Calculation Currency**

The Net Asset Value of the Classes "Acc USD" and "I USD" will be calculated in USD.

The Net Asset Value of the Classes "Acc EUR", "R EUR", "P EUR" and "I EUR" will be calculated in EUR.

Each of Classes "Acc EUR", "R EUR", "P EUR" and "I EUR" Shares participate in the portfolio according to their entitlements. They may seek to benefit from a specific hedging complement under which the USD portfolio assets attributable to them are intended to be hedged against the EUR on a roll-over monthly basis. The hedging costs are borne by the respective class. It is not the intention to fully hedge and no insurance is given that this hedging objective will be achieved.

## **5. ISIN codes**

Class	ISIN code
Acc USD	LU1651323435
I USD	LU1651323609
R EUR	LU1651323781
Acc EUR	LU1651323518
P EUR	LU2005655175
I EUR	LU2006281013

## **6. Offerings**

The offer price of the Shares of the Sub-Fund is calculated on each Valuation Day (as defined under Chapter 9 “Net Asset Value”). The offer price per Share will correspond to the applicable Net Asset Value and may be increased by a subscription fee of up to 5% of the Net Asset Value to be retained by the Fund, or to be distributed to the authorised distribution intermediaries or to the Management Company, at the discretion of the Management Company.

In case subscription fee is retained by the Fund for a Class, for all the subscriptions orders received in the same day for this Class, the Fund shall retain the same subscription fee percentage.

Application forms will have to be received before 3:00 pm on the business day in Luxembourg preceding a Valuation Day otherwise they shall be taken into consideration on the next Valuation Day.

The proceeds of the subscriptions must be received by the Fund in Luxembourg within two Business Days following the relevant Valuation Day.

Shares of Classes “I USD” and “I EUR” may only be acquired in the case of investment through Distributors or Intermediaries that, according to regulatory requirements or based on individual fee arrangements with their clients, are not allowed to accept or retain trail commissions.

Shares of the Class “I USD” require a minimum initial investment of USD 5.000.000 (or the equivalent in another currency). This minimum initial investment amount can be waived upon decision of the Board of Directors.

Shares of the Class “I EUR” require a minimum initial investment of EUR 5.000.000 (or the equivalent in another currency). This minimum initial investment amount can be waived upon decision of the Board of Directors.

Shares of the Classes “Acc USD”, “Acc EUR”, “R EUR” and “P EUR” are not subject to a minimum initial investment.

Shares of the Classes “I USD” and “I EUR” are reserved for institutional investors under article 174 of the 2010 Law.

Shares of the Classes “Acc USD”, “Acc EUR”, “R EUR” and “P EUR” are available for all investors.

## **7. Form of Shares**

The Shares of the Sub-Fund are issued in registered form. Fractions of registered Shares will be allotted up to three decimal places. Shares will be inscribed in the Register of Shareholders and shareholders will receive a confirmation of their shareholding, and upon specific request, a Share certificate.

## **8. Distribution Policy**

This Sub-Fund will pursue an accumulation policy. Therefore, this Sub-Fund will issue one type of Shares which bring them no rights to distributions. The income attached to these shares is automatically reinvested.

## **9. Listing**

All Classes of Shares of the Sub-Fund are receivable to be listed on the Luxembourg Stock Exchange.

## **10. Redemption & Conversion**

Shareholders of the Sub-Fund may request redemption of their Shares on each Valuation Day. The redemption

price per Share will correspond to the applicable Net Asset Value with no redemption fee.

Shareholders of the Sub-Fund may request conversion of their Shares into another Sub-Fund on each Valuation Day. The conversion price per Share will correspond to the applicable Net Asset Value decreased by a conversion fee of 0.5% maximum of the Net Asset Value, to the benefit of the Sub-Fund converted.

Redemption and conversion forms will have to be received before 3:00 pm on the business day in Luxembourg preceding a Valuation Day otherwise they shall be taken into consideration on the next Valuation Day. The proceeds of the redemptions will be paid within two business days following the relevant Valuation Day.

The conversion fee, when determined, will be the same for all conversions implemented on the same day.

## **11. Costs and Expenses**

### *Management Fee*

The Management Company is entitled to a management fee payable on a monthly basis at the following annual rates of the average net asset values of the Sub-Fund during the relevant month:

Classes “Acc USD” and “Acc EUR”: 1.50% (excluding taxes)

Class “R EUR”: 2.00% (excluding taxes)

Class “I USD”: 1.00% (excluding taxes)

Class “P EUR”: 2.20% (excluding taxes)

Class “I EUR”: 1.00% (excluding taxes)

The management fee is paid to the Management Company whether or not the Sub-Fund generates a profit.

### *Performance Fee*

As long as the Sub-Fund is in existence, the Management Company will receive within five business days of the last business day of each twelve-month period starting on the last Business Day of September (the “Period”) an annual performance fee of 15% (excluding taxes) for Classes “Acc USD”, “Acc EUR”, “I USD” and “I EUR” and 20% (excluding taxes) for Classes “R EUR” and “P EUR” of the net assets (converted in share classes currency) outperformance vs. the S&P 500 Net Total Return Index (or any other suitable index should this benchmark be replaced or changed upon decision of the Board of Directors, in such case the CSSF and investors will be informed prior to the change) during the Period (adjusted on a pro rata temporis basis for subscriptions and redemptions made in the Sub-Fund during the Period) (the “**Performance Index**”). When outperforming the Performance Index during the Period notwithstanding a decline in the Net Asset Value during such period, the Management Company will thus also receive a performance fee in case of a decline in the Net Asset Value during the Period.

The Management Company has adopted written plans setting out actions, which it will take with respect to the Sub-Fund in the event that the S&P 500 Net Total Return Index materially changes or ceases to be provided (the “**Contingency Plans**”), as required by article 28(2) of the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the “**Benchmarks Regulation**”), as may be amended or supplemented from time to time. Shareholders may access the Contingency Plans on demand and free of charge at the registered office of the Management Company.

S&P 500 Net Total Return Index is being provided by S&P Dow Jones Indices LLC, in its capacity as administrator, as defined in the Benchmarks Regulation, of the relevant benchmark (the “**Benchmark Administrator**”). As of the date of this visa-stamped Prospectus, the Benchmark Administrator is listed in the register referred to in article 36 of the Benchmarks Regulation as an administrator located outside the European Union which provide benchmarks that are endorsed in accordance with the procedure laid down in Article 33 of the Benchmark Regulation.

For the Classes “P EUR” and “I EUR”, the initial period for the calculation of the performance fee starts on the launching day until the last Business Day of September 2019.

For the unhedged Shares classes, the benchmark is converted into Shares class currency.

For the hedged shares classes, the benchmark is hedged against the Shares class currency.

The performance fee is crystallized for redemptions.

The performance fee will be accrued daily and paid out to the Management Company within five business days of the last business day of each Period.

For purposes of applying the performance fee rate, the Management Company begins each twelve-month period with zero gains. If there is an under-performance at the end of the twelve-month period, it will not be carried forward in the following twelve-month period; under-performance means that the net asset value increase or decrease is less than the increase or more than the decrease respectively of the Performance Index.

Performance in net assets means the difference (positive or negative) between the net assets at the end of the Period (after deduction of management fees and other liabilities, but before deduction of current performance fees and adjusted on a temporary basis for subscriptions and redemptions made during the Period) and the net assets as of the beginning of the Period.

## **12. Risk Factors**

DIGITAL Stars US Equities is a US Equity Sub-Fund. Apart from the usual risk associated with the holding of equities, the Sub-Fund is vulnerable to liquidity issues associated with the small cap equities it holds. In the case of severe market downturn, the shareholders who want to withdraw their assets might have to wait until illiquid assets have been sold according to the rules of the Fund. The expected volatility should tend to be of the same magnitude or less than the benchmark to produce a superior Sharpe Ratio.

## **13. Past performance**

The historical performance of the Sub-Fund is represented by a chart inserted in the key investor information document.

Investors should note that past performance is not a guarantee for future trends. There is no guarantee that the investments will appreciate in value. The value of investments and the income derived therefrom may as well fall or rise and investors may not get back the amount invested. Future returns will depend on the development of the equity stock markets and how successful the Management Company is in implementing the Sub-Fund’s investment policy.

## **14. Limits concerning global exposure**

The Sub-Fund uses the commitment approach to monitor and measure at all times the risks associated with its investments and their contribution to the overall risk profile of the Sub-Fund’s portfolio.

The risk management procedure is also applied within the scope of collateral management (see section “Collateral management”) and the techniques and instruments for the efficient management of the portfolio (see section “Special techniques and instruments relating to transferable securities”).

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**CHAPTER 1. – SUB-FUND PARTICULARS**

DIGITAL FUNDS – Investment Company with Variable Capital

*DIGITAL FUNDS Stars Eurozone***E. DIGITAL FUNDS Stars Eurozone****or “DIGITAL Stars Eurozone”****1. Investment objectives and policy**

The objective of DIGITAL FUNDS Stars Eurozone (referred to herein as the “Sub-Fund” or “DIGITAL Stars Eurozone”) is to achieve long-term appreciation of its capital and to outperform the Eurozone markets, through the use of a sophisticated quantitative model to identify the “stars” performers.

The Sub-Fund will invest in equities from the main Eurozone member states. The universe consists currently of approximately 2000 listed equities covered by the research of at least one broker. For safety reasons, the Sub-Fund will currently be interested only in approximately 800 equities followed by at least 3 brokers and whose capitalization exceeds EUR 100 M. Such list will be updated at least on a quarterly basis to take into consideration the new introduction as well as any change in company coverage intensity or capitalization.

It should be noted that the Sub-Fund will be invested across all markets capitalization spectrum including Large Cap equities.

The Sub-Fund is eligible to the regulations governing the French PEA.

This strategy has the benefit of keeping constantly in the Sub-Fund very liquid assets in case of any major crisis.

The Sub-Fund will constantly invest at least 80% of its net assets in equities which are part of the universe defined above. However, a maximum of 10% of the net assets of the Sub-Fund can be invested in equities whose capitalization is below EUR 100 M.

The Sub-Fund may also invest up to 10% of its net assets in transferable debt securities rated at least A by Standard and Poor’s or similar by other rating agencies at the time of their purchase.

Within the limits set forth in *Chapter 20 “Investment Guidelines and Restrictions”*, the Sub-Fund is authorized, for the purpose of efficient portfolio management, to use techniques and instruments relating to transferable securities, techniques and instruments intended to provide protection against exchange risks in the context of the management of its assets and liabilities and to enter into synthetic equity swaps with a first financial institution which specialize in this kind of transaction to seek exposure to transferable securities. Within the limits set forth here above, the Sub-Fund may enter into transactions which are undertaken for purposes other than hedging provided those transactions have no negative effect on the quality of the investment policy. The Sub-Fund exposure to the equity market will remain between 80 and 100%.

The Sub-Fund will use a quantitative model using a development made on price momentum. The Price Momentum is a statistical concept to measure the significance of a price movement relative to the market. When used with the right timing for buying and selling, the strategy has generally produced superior performance as shown by the track record of similar funds managed by J.Chahine Capital.

A quantitative model based on earnings revisions may also be applied to buy or sell stocks.

It is expected that the stock selection will comprise between 50 and 250 equities. Should any major negative event occur on a stock, the Management Company will use quantitative valuations such as the Risk Premium, to decide whether to sell the stock. Such exceptional decisions should not exceed 20 per year.

The asset rotation is theoretically one per year (purchases of 100% and sales of 100% of assets). This figure can be exceeded in the case of significant important movements in the assets of the Sub-Fund.

The Sub-Fund may enter into securities lending transactions as lender of securities. A maximum of 100% of the assets held by the Sub-Fund, but only stocks can be subject to securities lending transactions. The expected percentage of the assets subject to securities lending transactions is between 30% and 80%.

For the time being, the Sub-Fund will not enter into (i) repurchase transactions and reverse repurchase transactions as buyer or seller, (ii) buy-sell back transactions and sell-buy back transactions as buyer or seller, (iii) total return swaps and (iv) margin lending transactions and if the Sub-Fund will enter into the aforementioned instruments, the Prospectus shall be, accordingly, immediately updated.

## **2. Profile of typical investors**

The Sub-Fund is suitable for long-term investors who consider investments in the Sub-Fund as a convenient way of participating in capital markets movements and do not need current income. The investor must be able to accept substantial year-to-year volatility in value in exchange for potentially high long-term returns. As a consequence, the Sub-Fund is suitable for investors who can afford, in principle, to set aside the capital for a period of at least 5 years. It is designed for the investment objective of building up capital.

## **3. Reference Currency**

The Net Asset Value of the Sub-Fund will be determined in EUR.

## **4. Calculation Currency**

The Net Asset Value of the Classes “Acc”, “R” and “I” will be calculated in EUR.

## **5. ISIN codes**

Class	ISIN code
Acc	LU1813569289
R	LU1813569362
I	LU1813569446

## **6. Offerings**

The offer price of the Shares of the Sub-Fund is calculated on each Valuation Day (as defined under Chapter 9 “Net Asset Value”). The offer price per Shares “Acc”, “R”, and “I” will correspond to the applicable Net Asset Value and may be increased by a subscription fee of up to 5% of the Net Asset Value to be retained by the Fund, or to be distributed to the authorised distribution intermediaries or to the Management Company, at the discretion of the Management Company.

In case subscription fee is retained by the Fund for a Class, for all the subscriptions orders received in the same day for this Class, the Fund shall retain the same subscription fee percentage.

Application forms will have to be received before 3:00 pm on the business day in Luxembourg preceding a

Valuation Day otherwise they shall be taken into consideration on the next Valuation Day.

The proceeds of the subscriptions must be received by the Fund in Luxembourg within two Business Days following the relevant Valuation Day.

Shares of the Class “I” may only be acquired in the case of investment through Distributors or Intermediaries that, according to regulatory requirements or based on individual fee arrangements with their clients, are not allowed to accept or retain trail commissions.

Shares of the Class “I” require a minimum initial investment of EUR 5.000.000 (or the equivalent in another currency). This minimum initial investment amount can be waived upon decision of the Board of Directors.

Shares of the Classes “Acc” and “R” are not subject to a minimum initial investment.

Shares of the Class “I” are reserved for institutional investors under article 174 of the 2010 Law.

Shares of the Classes “Acc” and “R” are available for all investors.

## **7. Form of Shares**

The Shares of the Sub-Fund are issued in registered form. Fractions of registered Shares will be allotted up to three decimal places. Shares will be inscribed in the Register of Shareholders and shareholders will receive a confirmation of their shareholding, and upon specific request, a Share certificate.

## **8. Distribution Policy**

This Sub-Fund will pursue an accumulation policy (= accumulation shares), which bring them no rights to distributions. The income attached to these shares is automatically reinvested.

## **9. Listing**

All Classes of Shares of the Sub-Fund are receivable to be listed on the Luxembourg Stock Exchange.

## **10. Redemption & Conversion**

Shareholders of the Sub-Fund may request redemption of their Shares on each Valuation Day. The redemption price per Share will correspond to the applicable Net Asset Value with no redemption fee.

Shareholders of the Sub-Fund may request conversion of their Shares into another Sub-Fund on each Valuation Day. The conversion price per Share will correspond to the applicable Net Asset Value decreased by a conversion fee of 0.5% maximum of the Net Asset Value, to the benefit of the Sub-Fund converted.

Redemption and conversion forms will have to be received before 3:00 pm on the business day in Luxembourg preceding a Valuation Day otherwise they shall be taken into consideration on the next Valuation Day. The proceeds of the redemptions will be paid within two business days following the relevant Valuation Day.

The conversion fee, when determined, will be the same for all conversions implemented on the same day.

## **11. Costs and Expenses**

### ***Management Fee***

The Management Company is entitled to a management fee payable on a monthly basis at the following annual



rates of the average net asset values of the Sub-Fund during the relevant month:

Class “Acc”: 1.50% (excluding taxes)

Class “R”: 2.00% (excluding taxes)

Class “I”: 1.00% (excluding taxes)

The management fee is paid to the Management Company whether or not the Sub-Fund generates a profit.

#### *Performance Fee*

As long as the Sub-Fund is in existence, the Management Company will receive within five business days of the last business day of each twelve-month period starting on the last Business Day of September (the “Period”) an annual performance fee of 15% (excluding taxes) for Classes “Acc” and “I”, and 20% (excluding taxes) for the Classe “R” (excluding taxes in both cases) of the net assets (converted in shares classes currency) outperformance of the MSCI EMU Net Return Index (or any other suitable index should this benchmark be replaced or changed upon decision of the Board of Directors) during the Period (adjusted on a pro rata temporis basis for subscriptions and redemptions made in the Sub-Fund during the Period) (the “**Performance Index**”). When outperforming the Performance Index during the Period notwithstanding a decline in the Net Asset Value during such period, the Management Company will thus also receive a performance fee in case of a decline in the Net Asset Value during the Period.

The Management Company has adopted written plans setting out actions, which it will take with respect to the Sub-Fund in the event that the MSCI EMU et Return Index materially changes or ceases to be provided (the “**Contingency Plans**”), as required by article 28(2) of the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the “**Benchmarks Regulation**”), as may be amended or supplemented from time to time. Shareholders may access the Contingency Plans on demand and free of charge at the registered office of the Management Company.

MSCI EMU Net Return Index is being provided by MSCI Limited, in its capacity as administrator, as defined in the Benchmarks Regulation, of the relevant benchmark (the “**Benchmark Administrator**”). As of the date of this visa-stamped Prospectus, the Benchmark Administrator is listed in the register referred to in article 36 of the Benchmarks Regulation as an administrator authorised pursuant to article 34 of the Benchmarks Regulation.

The first performance fee for the Classes “Acc”, “R” and “I” shall be calculated during a period starting on the launching day (01/10/2018) until the last Business Day of September 2019.

The performance fee is crystallized for redemptions.

The performance fee will be accrued daily and paid out to the Management Company within five business days of the last business day of each Period.

For purposes of applying the performance fee rate, the Management Company begins each twelve-months period with zero gains. If there is an under performance at the end of the twelve-months period, it will not be carried forward in the following twelve-months period; under performance means that the net asset value increase or decrease is less than the increase or more than the decrease respectively of the Performance Index.

Performance in net assets means the difference (positive or negative) between the net assets at the end of the Period (after deduction of management fees and other liabilities, but before deduction of current performance fees and adjusted on a temporary basis for subscriptions and redemptions made during the Period) and the net

assets as of the beginning of the Period.

## **12. Risk Factors**

DIGITAL Stars Eurozone is a European Equity Sub-Fund. Apart from the usual risk associated with the holding of equities, the Sub-Fund is vulnerable to liquidity issues associated with the small cap equities it holds. In the case of severe market downturn, the shareholders who want to withdraw their assets might have to wait until illiquid assets have been sold according to the rules of the Fund. It should be noted that the inclusion of large cap equities in the construction of the Sub-Fund will be an advantage. The expected volatility should tend to be of the same magnitude or less than the benchmark to produce a superior Sharpe Ratio.

## **13. Past performance**

The historical performance of the Sub-Fund is represented by a chart inserted in the key investor information document.

Investors should note that past performance is not a guarantee for future trends. There is no guarantee that the investments will appreciate in value. The value of investments and the income derived there from may as well fall as rise and investors may not get back the amount invested. Future returns will depend on the development of the equity stock markets and how successful the Management Company is in implementing the Sub-Fund's investment policy.

## **14. Limits concerning global exposure**

The Sub-Fund uses the commitment approach to monitor and measure at all times the risks associated with its investments and their contribution to the overall risk profile of the Sub-Fund's portfolio.

The risk management procedure is also applied within the scope of collateral management (see section "Collateral management") and the techniques and instruments for the efficient management of the portfolio (see section "Special techniques and instruments relating to transferable securities").

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## CHAPTER 2. PRINCIPAL AGENTS OF THE FUND

**Registered Office** 2C, rue Albert Borschette, L-1246 Luxembourg  
R.C.S. Luxembourg B66323.

### BOARD OF DIRECTORS

Mr. Jacques Chahine	J.Chahine Capital Director
Mr. François Garcin	J.Chahine Capital Director
Mrs. Anita Wingert	UBS Europe SE, Luxembourg Branch Director

### Board of directors of the Management Company

Mr. Michaël Sellam	Director (chairman) J.Chahine Capital, Luxembourg
Mr. Jacques Chahine	Director J.Chahine Capital, Luxembourg
Mr. François Garcin	General Manager and conducting officer Director J.Chahine Capital, Luxembourg
Mr. Julien Bernier	Chief Investment Officer and conducting officer Director J.Chahine Capital, Luxembourg
Mr. Philippe Haquenne	Independent Director

### DEPOSITARY AND PAYING AGENT

UBS Europe SE, Luxembourg Branch  
33A, avenue J.F. Kennedy  
L-1855 Luxembourg

### MANAGEMENT COMPANY

J.Chahine Capital  
10-12, boulevard Roosevelt  
L-2450 Luxembourg

### CENTRAL ADMINISTRATION

Northern Trust Global Services SE  
6, rue Lou Hemmer L-1748 Senningerberg  
Grand Duchy of Luxembourg

### AUDITOR

PricewaterhouseCoopers, Société coopérative  
2, rue Gerhard Mercator  
B.P. 1443  
L-1014 Luxembourg



### CHAPTER 3. LEGAL FORM AND STRUCTURE OF THE FUND

DIGITAL FUNDS (the “Fund”) is an investment company incorporated on September 21, 1998 and registered in Luxembourg for an unlimited duration as a “*société anonyme*” with the status of an “Investment Company with Variable Capital” under the Luxembourg law of December 17, 2010 on Collective Investment Undertakings (the “Law” or the “UCI Law”) and under the Luxembourg law of August 10, 1915 on Commercial Companies, as amended. The Fund is submitted to Part I of the Law.

The Fund is organized as an “Umbrella Fund”. An “Umbrella Fund” is one single entity comprising several sub-funds within each of which various classes (the “Class” or the “Classes”) of Shares might be launched, for example accumulation shares/distribution shares, different reference currency. Each sub-fund constitutes a separate portfolio of assets (invested in accordance with the particular investment features applicable to this sub-fund) and liabilities (referred to hereafter as “Sub-Fund” or “Sub-Funds”).

The Board of Directors reserves the right to launch new Sub-Funds at any time. The particulars and investment policy of such Sub-Funds are to be communicated through a revised Prospectus. Furthermore, the investors may be informed through a newspaper announcement, if deemed appropriate by the Board of Directors. In compliance with the regulations laid down in *Chapter 18 “Liquidation and merger of the Fund and its Sub-Funds”*, the Board of Directors reserves the right to liquidate certain Sub-Funds.

Following an extraordinary general meeting of the shareholders held on 20 December, 2011, the Articles of Incorporation of the Fund (the “Articles of Incorporation”) were amended in order to have the Fund regulated by the Part I of the Luxembourg law of 17 December 2010 on undertakings for collective investment ( the “Amendments to the Articles of Incorporation”).

The Articles of Incorporation have been published for the first time in the *Mémorial C, Recueil des Sociétés et Associations* (the “Mémorial”) on November 4, 1998. The Articles of Incorporation have been deposited with the Registrar of the Luxembourg District Court. The Amendments to the Articles of Incorporation have been published in the Memorial on 19 January 2012. These documents are available for review and copies can be obtained on payment of applicable charges. The Fund is registered at the Luxembourg Register of Commerce under the number B 66.323. The registered office of the Fund is established at 2C, rue Albert Borschette, L-1246 Luxembourg. At the time of incorporation, the corporate capital amounted to FRF 275.000. The capital of the Fund is at all times equal to the total of net assets of the different Sub-Funds and is represented by the issued Shares, without designation of the nominal value and fully paid up. Variations in the capital of the Fund can take place without the need for publication or registration in the Register of Commerce. The minimum capital required is EUR 1.250.000.- or its equivalent in any other currency. This minimum has to be reached within a time frame of six months after the registration of the Fund in the official register of undertakings for collective investment.

The Fund draws the investor’s attention to the fact that any investor will only be able to fully exercise his investor rights directly against the Fund (notably the right to participate in general shareholders’ meetings), if the investor is registered himself and in his own name in the shareholders’ register of the Fund. In cases where an investor invests in the Fund through an intermediary investing into the Fund in his own name but on behalf of the investor, it may not always be possible for the investor to exercise certain shareholder rights directly against the Fund. Investors are advised to take advice on their rights.

J.Chahine Capital, a chapter 15 management company, having its registered office at 10-12, Boulevard Roosevelt, L-2450 Luxembourg, has been appointed to act as the management company of the Fund (the “Management Company”). Its Board Members are for the time being the following ones: M. Michaël Sellam, M. Jacques

Chahine, M. François Garcin, M. Julien Bernier and M. Philippe Haquenne. J. Chahine Capital, R.C.S. Luxembourg B 100.623 has been incorporated as a limited company under the name Digital Consulting on 27 April 2004 as a “société anonyme” in Luxembourg for an unlimited period of time and its name changed on 14 January 2008. The paid up capital amounts to EUR 850 000.

For this purpose, a Management Company Services Agreement (the “Agreement”) was signed between the Fund and the Management Company effective as of October 1<sup>st</sup>, 2010, for an unlimited term from the date of signing of the agreement. Either party may terminate the Agreement at any time by registered letter with acknowledgement of receipt addressed to the other party.

Under the term of the Agreement, the Management Company is responsible for the management, the administration and the distribution of the Fund’s assets but is allowed to delegate under its control and responsibilities all or part of its duties to third parties. In case of changes or appointment of additional third parties, this Prospectus will be updated accordingly. For the time being, the administration of the Fund has been delegated to Northern Trust Global Services SE.

The Management Company shall take all reasonable steps to identify any conflicts of interest which may arise in connection with the management of funds, as well as introduce and keep in place effective organisational and administrative measures to take all reasonable steps to identify, prevent, manage and monitor conflicts of interest, with the aim of preventing these from adversely affecting the interests of the funds and their investors.

In order to adequately identify and manage conflicts of interest, the Management Company has determined a strategy for dealing with conflicts of interest, which includes the following:

- a procedure for identifying potential conflicts of interest;
- provisions on organisational measures for the prevention, suitable regulation and disclosure of conflicts of interest.

The Management Company shall keep records of the details of possible existing or potential conflicts of interest and update these on a regular basis and shall take all reasonable steps to prevent conflicts of interest from harming the interest of investors.

## CHAPTER 4. INVESTMENT OBJECTIVES

The main objectives of the Fund are to provide a multitude of Sub-Funds combined with active and professional management, to diversify investment risks and satisfy investors seeking to outperform the market and achieve long-term capital appreciation. The Fund aims to achieve a regular and consistent out performance aligned with a selected benchmark for each Sub-Fund and long-term capital appreciation, through the experienced usage of sophisticated quantitative models. Mr. Jacques Chahine is a leader in the development of models for quantitative asset management. Among such models, which have been extensively tested and operated for more than 15 years, is a Risk Premium Model as well as a statistical momentum model.

### 1) Definition of the investment universe

The investment universe of the DIGITAL Stars Sub-Funds is based on i) the present and future EU country members, United Kingdom, Norway and Switzerland for DIGITAL Stars Europe and DIGITAL Stars Europe Smaller Companies, ii) EU country members, Norway and Switzerland but excluding the United Kingdom for DIGITAL Stars Europe Ex-UK, iii) limited to the main Eurozone country members for DIGITAL Stars Eurozone, and iv) the United States of America, for DIGITAL Stars US Equities.

Stocks will be chosen among those where there is the minimal required research from financial analysts, and where market capitalization and volume allow enough liquidity.

The various Sub-Funds will never invest more than 10% of their net assets in units/shares of other UCITS or other UCIs.

### 2) Investment interest

The Fund is suitable for long-term investors who want to diversify their investments through sub-funds using sophisticated quantitative models and are able to accept substantial year-to-year volatility in value in exchange for potentially high long-term returns.

### 3) Risk factors

DIGITAL Stars Europe is a straightforward European all-cap fund. Apart from the usual risk associated with the holding of equities, the Sub-Fund is vulnerable to liquidity issues associated with small cap equities. In the case of severe market downturn, the shareholders who want to redeem their Shares might have to wait until illiquid assets have been sold according to the rules of the Fund. It should be noted that the inclusion of large cap equities in the construction of the Sub-Fund will be an advantage. The expected volatility should tend to be of the same magnitude or less than the MSCI Europe Index to produce a superior Sharpe Ratio. The inclusion of the UK, Denmark, Norway, Sweden and Switzerland, or any other countries of the EU having another currency than the Euro, in the Sub-Fund universe can raise some currency exchange risks.

DIGITAL Stars Europe Ex-UK is a straightforward European all-cap fund. Apart from the usual risk associated with the holding of equities, the Sub-Fund is vulnerable to liquidity issues associated with small cap equities. In the case of severe market downturn, the shareholders who want to redeem their Shares might have to wait until illiquid assets have been sold according to the rules of the Fund. It should be noted that the inclusion of large cap equities in the construction of the Sub-Fund will be an advantage. The expected volatility should tend to be of the same magnitude or less than the MSCI Europe ex UK Index to produce a superior Sharpe Ratio. The inclusion of the Denmark, Norway, Sweden and Switzerland, or any other countries of the EU having another currency than the Euro, in the Sub-Fund universe can raise some currency exchange risks.

DIGITAL Stars Europe Smaller Companies is a straightforward European small-cap fund. Apart from the usual risk associated with the holding of equities, the Sub-Fund is vulnerable to liquidity issues associated with small cap equities. In the case of severe market downturn, the shareholders who want to redeem their Shares might have to wait until illiquid assets have been sold according to the rules of the Fund. The expected volatility should tend to be of the same magnitude or less than the MSCI Europe Index to produce a superior Sharpe Ratio. The inclusion of the UK, Denmark, Norway, Sweden and Switzerland, or any other countries of the EU having another currency than the Euro, in the Sub-Fund universe can raise some currency exchange risks.

DIGITAL Stars Europe US Equities is a straightforward US all-cap fund. Apart from the usual risk associated with the holding of equities, the Sub-Fund is vulnerable to liquidity issues associated with small cap equities. In the case of severe market downturn, the shareholders who want to redeem their Shares might have to wait until illiquid assets have been sold according to the rules of the Fund. The expected volatility should tend to be of the same magnitude or less than the S&P 500 to produce a superior Sharpe Ratio.

DIGITAL Stars Eurozone is a straightforward European all-cap fund. Apart from the usual risk associated with the holding of equities, the Sub-Fund is vulnerable to liquidity issues associated with small cap equities. In the case of severe market downturn, the shareholders who want to redeem their Shares might have to wait until illiquid assets have been sold according to the rules of the Fund. It should be noted that the inclusion of large cap equities in the construction of the Sub-Fund will be an advantage. The expected volatility should tend to be of the same magnitude or less than the MSCI EMU Index to produce a superior Sharpe Ratio.



## CHAPTER 5. DISTRIBUTION POLICY

The Board of Directors may decide to issue classes of Shares of any type within each Sub-Fund, at the option of the shareholders. The description of such classes will be provided for in *Chapter 1 "Sub-Funds Particulars"* of the present Prospectus.

In the case of distribution shares each Sub-Fund is entitled to distribute the maximum dividend authorized by Law (*i.e.*, the Fund may distribute as much as it deems appropriate insofar as the total net assets of the Fund remain above EUR 1.250.000.- or its equivalent).

In the case of accumulation shares relevant net income and net capital gains shall not be distributed but shall increase the Net Asset Value of the relevant Shares (accumulation). Each Sub-Fund may, however, in accordance with a dividend distribution policy proposed by the Board of Directors, distribute all or part of the net income and/or net capital gains by a majority decision of the shareholders of the relevant Sub-Fund.

The Board of Directors may, when considered appropriate, decide upon a distribution of interim dividends. In full compliance with what is provided in the Articles of Incorporation, it rests with the Board of Directors to determine the methods of payment of any dividends decided pursuant to what is provided above. Dividends not cashed within five years will be forfeited and will accrue for the benefit of the Fund, in accordance with Luxembourg law.

## CHAPTER 6. MANAGEMENT OF THE FUND

The Fund is managed by the Management Company, which has the overall responsibility for the management and administration of the Fund, its Sub-Funds and its corresponding Class of Shares. On the other hand, the Board of Directors of the Fund is responsible for the authorization of the establishment of Sub-Funds and for setting and monitoring their investment policies and restrictions.

In the performance of its duties, the Management Company may be assisted by an investment advisor and shall entrust this party with specific tasks.

### 6.1. MANAGEMENT COMPANY

The Management Company shall keep the investments of the Sub-Funds under constant review, to conduct the day-to-day management and to give such investment advice to the Fund, in connection with the investment and reinvestment of the Sub-Funds' portfolio, as the Fund may request from time to time.

The remuneration policy of the Management Company is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile, rules or instruments of incorporation of the Fund managed.

The remuneration policy reflects the Management Company's objectives for good corporate governance as well as sustained and long-term value creation for the shareholders. The remuneration policy has been designed and implemented to:

- support actively the achievement of the Management Company's strategy and objectives;
- support the competitiveness of the Management Company in the markets it operates;
- be able to attract, develop and retain high-performing and motivated employees; and
- address any situations of conflicts of interest. For that purpose, the Management Company has implemented and maintains an adequate management of conflicts of interest policy.

Employees of the Management Company are offered a competitive and market-aligned remuneration package making fixed salaries a significant component of their total package. Moreover, the assessment of performance is set in a multi-year framework appropriate to the holding period recommended to the investors of the Fund in order to ensure that the assessment process is based on the longer-term performance of the Fund and its investment risks and that the actual payment of performance-based components of remuneration is spread over the same period.

The Management Company complies with the remuneration principles described above in a way and to the extent that is appropriate to its size, internal organisation and the nature, scope and complexity of its activities. Moreover, the principles of the remuneration policy are reviewed on a regular basis and adapted to the evolving regulatory framework. The remuneration policy has been approved by the Board of directors of the Management Company.

The details of the up-to-date remuneration policy including, but not limited to, a description of how remuneration and benefits are calculated, the identities of persons responsible for awarding the remuneration and benefits including the composition of the remuneration committee, where such a committee exists, can be

found on the website of the Management Company (*i.e.*, <http://www.chahinecapital.com>). A paper copy of the remuneration policy will be made available free of charge upon request.

In remuneration for its services, the Fund will pay to the Management Company management and performance fees that may be different for each Sub-Fund, as described in *Chapter 1 “Sub-Funds Particulars”*. Where the performance of a Sub-Fund is measured with reference to a benchmark, the outperformance is calculated “net of costs”.

## **6.2. INVESTMENT ADVISOR**

The Management Company may appoint investment advisor(s) to give investment advisory services to the Fund.

The Investment Advisor fees shall be paid out of the Management fee.

## **6.3. AUTHORISED DISTRIBUTION INTERMEDIARIES**

### **6.3.1. Placing agents**

The Management Company may appoint intermediaries to market and sell the Shares of the Fund (“Placing agents”). Placing agents will promote the sale of the Fund’s Shares and assist the Management Company in the placement of the Fund’s Shares. Placing agents are not entitled to hold and control client money.

For that purpose, an agreement will be concluded between the Management Company and the Placing agents.

The Placing agents shall be paid out of the Management fees.

### **6.3.2. Distributor agents**

The Management Company may appoint distributors to assist it in the distribution of the Shares of the Fund. Distributor agents will actively market the Shares of the Fund and receive subscription and redemption orders.

For that purpose, an agreement will be concluded between the Management Company and the distributors.

The Distributor agents shall be paid out of the Management fees.

### **6.3.3. Nominee agents**

The Management Company may appoint nominees to be part of the distribution system of the Shares of the Fund.

For that purpose, an agreement will be concluded between the Management Company and the nominees. In accordance with the nominee agreement, the nominee will be recorded in the register of shareholders in place of the shareholders. The agreement will specify, among others, that shareholders have the right at any time to claim for the transfer to their own name of the Shares subscribed via the nominee. As soon as the transfer instruction is received from the nominee, the shareholders will be recorded in the register of shareholders in their own name.

The appointment of Distributor agents and nominees is only authorized if the following pre-conditions are met:

- the Distributor agents and nominees must be a regulated entity,
- the Distributor agents and nominees must be professionals of the financial sector, domiciled in countries in which financial intermediaries are subject to obligations of identification similar to those set out by

Luxembourg law,

- the Distributor agents and nominees must be a Financial Action Task Force member or a branch or a subsidiary, the mother company of which is established in a member country of FATF and which imposes to its branch or subsidiary equivalent requirements to those provided for by the Luxembourg law,
- the Distributor agents and nominees must be able to hold and control client money, and
- the Distributor agents and nominees must comply with anti-money laundering regulations.

In any case, investors may directly subscribe Shares via the Fund without having to act through an intermediary.

## CHAPTER 7. DEPOSITARY, CENTRAL ADMINISTRATION, REGISTRAR AND TRANSFER AGENT

### 7.1 DEPOSITARY

Further to the terms of the depositary agreement (the “Depositary Agreement”), UBS Europe SE, Luxembourg Branch - has been appointed as depositary of the Fund. Either party may terminate this Agreement by giving three months prior notice. The Depositary will also provide paying agent services to the Fund.

UBS Europe SE, Luxembourg Branch is a branch of UBS Europe SE, a credit institution constituted in the form of a *Societas Europaea*, incorporated in Germany with registered office at D-60306 Frankfurt am Main, Bockenheimer Landstraße 2-4.

The Depositary has been appointed for the safe-keeping of financial instruments that can be held in custody, for the record keeping and verification of ownership of other assets of the Fund as well as to ensure for the effective and proper monitoring of the Fund’s cash flows in accordance with the provisions of the Law and the Depositary Agreement. Assets held in custody by the Depositary shall not be reused by the Depositary, or any third party to which the custody function has been delegated, for their own account, unless such reuse is expressly allowed by the Law.

In addition, the Depositary shall also ensure that (i) the sale, issue, repurchase, redemption and cancellation of Shares are carried out in accordance with Luxembourg law, the Prospectus and the Articles of Incorporation, (ii) the value of the Shares is calculated in accordance with Luxembourg law, the Prospectus and the Articles of Incorporation, (iii) the instructions of the Management Company or the Fund are carried out, unless they conflict with applicable Luxembourg law, the Prospectus and/or the Articles of Incorporation, (iv) in transactions involving the Fund’s assets any consideration is remitted to the Fund within the usual time limits, and (v) the Fund’s incomes are applied in accordance with Luxembourg law, the Prospectus and the Articles of Incorporation.

In compliance with the provisions of the Depositary Agreement and the Law, the Depositary may, subject to certain conditions and in order to effectively conduct its duties, delegate part or all of its safe-keeping duties in relation to financial instruments that can be held in custody, duly entrusted to the Depositary for custody purposes, and/or all or part of its duties regarding the record keeping and verification of ownership of other assets of the Fund to one or more sub-custodian(s), as they are appointed by the Depositary from time to time. The Depositary does not allow its sub-custodians to make use of sub-delegates which have not been approved by the Depositary in advance.

Prior to the appointment of any sub-custodian and sub-delegate and on an ongoing basis based on applicable laws and regulations as well as its conflict of interests policy the Depositary shall assess potential conflicts of interests that may arise from the delegation of its safekeeping functions. The Depositary is part of the UBS Group, a worldwide, full-service private banking, investment banking, asset management and financial services organization which is a major participant in the global financial markets. As such, potential conflicts of interest from the delegation of its safekeeping functions could arise as the Depositary and its affiliates are active in various business activities and may have differing direct or indirect interests. Investors may obtain additional information free of charge by addressing their request in writing to the Depositary.

In order to avoid any potential conflicts of interest, the Depositary does not appoint any sub-custodians and does not allow the appointment of any sub-delegate which is part of the UBS Group, unless such appointment is in the interest of the Shareholders and no conflict of interest has been identified at the time of the sub-custodian’s

or sub-delegate's appointment. Irrespective of whether a given sub-custodian or sub-delegate is part of the UBS Group or not, the Depositary will exercise the same level of due skill, care and diligence both in relation to the selection and appointment as well as in the on-going monitoring of the relevant sub-custodian or sub-delegate. Furthermore, the conditions of any appointment of a sub-custodian or sub-delegate that is member of the UBS Group will be negotiated at arm's length in order to ensure the interests of the Fund and its Shareholders. Should a conflict of interest occur and in case such conflict of interest cannot be mitigated, such conflict of interest as well as the decisions taken will be disclosed to Shareholders. An up-to-date description of any safekeeping functions delegated by the Depositary and an up-to-date list of these delegates and sub-delegate(s) can be found on the following webpage: <https://www.ubs.com/global/en/legal/country/luxembourg.html>.

Where the law of a third country requires that financial instruments are held in custody by a local entity and no local entity satisfies the delegation requirements of article 34bis, paragraph 3, lit. b) i) of the Law, the Depositary may delegate its functions to such local entity to the extent required by the law of that third country for as long as there are no local entities satisfying the aforementioned requirements. In order to ensure that its tasks are only delegated to sub-custodians providing an adequate standard of protection, the Depositary has to exercise all due skill, care and diligence as required by the Law in the selection and the appointment of any sub-custodian to whom it intends to delegate parts of its tasks and has to continue to exercise all due skill, care and diligence in the periodic review and ongoing monitoring of any sub-custodian to which it has delegated parts of its tasks as well as of any arrangements of the sub-custodian in respect of the matters delegated to it. In particular, any delegation is only possible when the sub-custodian at all times during the performance of the tasks delegated to it segregates the assets of the Fund from the Depositary's own assets and from assets belonging to the sub-custodian in accordance with the Law. The Depositary's liability shall not be affected by any such delegation, unless otherwise stipulated in the Law and/or the Depositary Agreement.

The Depositary is liable to the Fund or its Shareholders for the loss of a financial instrument held in custody within the meaning of article 35 (1) of the Law and article 12 of the Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 supplementing the UCITS Directive with regard to obligations of depositaries (the "Fund Custodial Assets") by the Depositary and/or a sub-custodian (the "Loss of a Fund Custodial Asset").

In case of Loss of a Fund Custodial Asset, the Depositary has to return a financial instrument of an identical type or the corresponding amount to the Fund without undue delay. In accordance with the provisions of the Law, the Depositary will not be liable for the Loss of a Fund Custodial Asset, if such Loss of a Fund Custodial Asset has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

The Depositary shall be liable to the Fund and to the Shareholders for all other direct losses suffered by them as a result of the Depositary's negligence or intentional failure to properly fulfil its duties in accordance with applicable law, in particular the Law and the Depositary Agreement.

The Fund and the Depositary may terminate the Depositary Agreement at any time by giving three (3) months' notice by registered letter. In case of a voluntary withdrawal of the Depositary or of its removal by the Fund, the Depositary must be replaced before maturity of such notice period by a successor depositary to whom the Fund's assets are to be delivered and who will take over the functions and responsibilities of the Depositary. If the Fund does not name such successor depositary in time the Depositary may notify the CSSF of the situation.

## **7.2 CENTRAL ADMINISTRATION, REGISTRAR AND TRANSFER AGENT**

The Management Company has delegated under its control and responsibility the central administration and domiciliation functions to Northern Trust Global Services SE which therefore act as the administrative agent for the Fund (the "Administrative Agent.") to provide administrative services such as the calculation of the net asset value, the services of domiciliation agent.

Northern Trust Global Services SE provides the registrar and transfer agency services. Northern Trust Global Services SE is principally responsible for the issue and redemption of the Fund's Shares and the keeping of the Register of Shareholders.

The fees and costs of Northern Trust Global Services SE are borne by the Fund and shall be those generally charged in Luxembourg with a maximum of 0.15% per annum. They represent an annual percentage of the net assets and are paid on a monthly basis.

## CHAPTER 8. SHARES

As indicated above, the Board of Directors is entitled to create as many Sub-Funds as deemed necessary, according to criteria that said Board of Directors determines. Within each Sub-Fund, the Board of Directors is entitled to create different Class or Classes of Shares that may be characterized by a.o. their distribution policy (distribution shares/accumulation shares), their reference currency, their fee level, and/or by any other features as set out in the relevant Sub-Fund particular under Chapter 1. Information regarding any such creation/modification will be formalized by way of an addendum to the present Prospectus.

Shares of each Sub-Fund, Class of Shares are issued in the registered form, subject to what is otherwise provided in *Chapter 1 "Sub-Funds Particulars"*. Northern Trust Global Services SE holds the Register of Shareholders in Luxembourg.

The Shares are to be fully paid up and will be issued without indication of their nominal value. Unless otherwise stated there will be no limit on the number of Shares to be issued. The rights attached to the Shares are set forth in the Luxembourg law of August 10, 1915 on Commercial Companies, as amended and the modifications thereof (the "1915 Law") as far as these do not depart from the UCI Law. All Shares of the Fund, irrespective of their value, have equal voting rights. The Shares of each Sub-Fund and/or each Class of Shares have equal rights in case of liquidation of each Sub-Fund and/or each Class of Shares concerned. Fractions of Shares are, in due proportion, entitled to the same rights as full Shares, except that only full Shares are entitled to vote.

The Directors of the Fund at their discretion may accept subscriptions in kind, in whole or in part. However in this case the investments in kind must be in accordance with the respective Sub-fund's investment policy and restrictions. In addition these investments will be audited by the Fund's appointed auditor. The related fees will be borne by the Investor.



## CHAPTER 9. NET ASSET VALUE

Unless otherwise described under Chapter 1, the net asset value per share of the individual Sub-Funds (the “Net Asset Value”) is calculated on each business day of the Administration Agent (hereinafter called “Valuation Day”). In this context, “business day” refers to the normal bank business day (*i.e.* each day on which banks are open during normal hours) in Luxembourg, with the exception of individual, non-statutory rest days as well as days on which exchanges in the main countries in which the Sub-Fund invests are closed or 50 % or more Sub-Fund investments cannot be adequately valued. Non-statutory rest days are days on which individual banks and financial institutions are closed. The Net Asset Value of each Sub-Fund is equal to the total assets of that Sub-Fund less its liabilities. The Net Asset Value of each Sub-Fund will be expressed in the currency of the relevant Sub-Fund as further described under Chapter 1 (except when there exists any state of affairs which, in the opinion of the Board of Directors, makes the determination in the currency of the relevant Sub-Fund either not reasonably practical or prejudicial to the shareholders, the Net Asset Value may temporarily be determined in such other currency as the Board of Directors may determine) and shall be determined in respect of any Valuation Day by dividing the total net assets of the Sub-Fund by the number of its shares then outstanding. The Net Asset Value per share of the individual Sub-Funds is calculated on the basis of the last known prices (*i.e.* closing prices or if such do not reflect reasonable market value in the opinion of the Board of Directors, the last available prices at the time of valuation) on each business day in Luxembourg, unless otherwise described under Chapter 1.

The total net assets of the Fund are expressed in EUR and correspond to the difference between the total assets of the Fund and its total liabilities. For the purpose of this calculation, the net assets of each Sub-Fund, if they are not denominated in EUR, are converted into EUR and added together.

Without prejudice to the regulations of each Sub-Fund, the Valuation of each Sub-Fund and of each of the different share classes follows the criteria below:

- a) The value of any cash in hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received is deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof is arrived at after making such discount as may be considered appropriate in such case to reflect the true value thereof.
- b) Securities, derivatives and other investments listed on an official stock exchange are valued at the last known market prices. If the same security, derivative or other investment is quoted on several stock exchanges, the last available quotation on the stock exchange that represents the major market for this investment will apply.

In the case of securities, derivatives and other investments where trading of these assets on the stock exchange is thin but which are traded between securities dealers on a secondary market using standard market price formation methods, the Fund can use the prices on this secondary market as the basis for the valuation of these securities, derivatives and other investments. Securities, derivatives and other investments that are not listed on a stock exchange, but that are traded on another regulated market which is recognised, open to the public and operates regularly, in a due and orderly fashion, are valued at the last available price on this market.

- c) Securities and other investments that are not listed on a stock exchange or traded on any other regulated market, and for which no reliable and appropriate price can be obtained, will be valued by the Fund according to other principles chosen by it in good faith on the basis of the likely sales prices.

- d) The valuation of derivatives that are not listed on a stock exchange (OTC derivatives) is made by reference to independent pricing sources. In case only one independent pricing source of a derivative is available, the plausibility of the valuation price obtained will be verified by employing methods of calculation recognised by the Board of Directors and the auditors, based on the market value of the underlying instrument from which the derivative has been derived.
- e) Units or shares of other undertakings for collective investment in transferable securities ("UCITS") and/or undertakings for collective investment ("UCI") will be valued at their last Net Asset Value. Certain units or shares of other UCITS and/or UCI may be valued based on an estimate of the value provided by a reliable price provider independent from the target fund's investment manager or investment adviser (Estimated Pricing).
- f) For money market instruments, the valuation price will be gradually adjusted to the redemption price, based on the net acquisition price and retaining the ensuing yield. In the event of a significant change in market conditions, the basis for the valuation of different investments will be brought into line with the new market yields.

For Sub-Funds that predominantly invest in money market instruments,

- securities with a residual maturity of less than 12 months are valued in accordance with the ESMA guidelines for money market instruments;
  - interest income earned by Sub-Funds up to and including the second valuation date following the Valuation Date concerned is included in the valuation of the assets of the Sub-Funds concerned. The asset value per share on a given valuation date therefore includes projected interest earnings as at two Valuation Dates hence.
- g) Securities, money market instruments, derivatives and other investments that are denominated in a currency other than the currency of account of the relevant Sub-Fund and which are not hedged by means of currency transactions are valued at the middle currency rate (midway between the bid and offer rate) obtained from external price providers.
  - h) Time deposits and fiduciary investments are valued at their nominal value plus accumulated interest.
  - i) The value of swap transactions is calculated by the counterpart to the swap transaction and a second independent valuation is made available by another external service provider. The calculation is based on the net present value of all cash flows, both inflows and outflows. In some specific cases, internal calculations based on models and market data available from Bloomberg and/or broker statement valuations may be used. The valuation methods depend on the respective security and are determined pursuant to the Administrative Agent's Valuation Policy based on market value. This valuation method is recognised by the Board of Directors and is audited by the Fund's auditor.

The Fund is entitled to apply other appropriate valuation principles which have been determined by it in good faith and are generally accepted and verifiable by auditors to the Fund's assets as a whole or of an individual Sub-Fund if the above criteria are deemed impossible or inappropriate for accurately determining the value of the Sub-Funds concerned due to extraordinary circumstances or events.

In the event of extraordinary circumstances or events, additional valuations, which will affect the prices of the shares to be subsequently issued or redeemed, may be carried out within one day.

**The Fund will undertake the allocation of assets and liabilities to the Sub-Funds, and the share classes, as**

**follows:**

- a) If several share classes have been issued for a Sub-Fund, all of the assets relating to each share class will be invested in accordance with the investment policy of that Sub-Fund.
- b) The value of shares issued in each share class will be allocated in the books of the Fund to the Sub-Fund of this share class; the portion of the share class to be issued in the net assets of the relevant sub-fund will rise by this amount; receivables, liabilities, income and expenses allocable to this share class will be allocated in accordance with the provisions of this Chapter to this Sub-Fund.
- c) Derivative assets will be allocated in the books of the Fund to the same Sub-Fund as the assets from which the related derivative assets have been derived and, with each revaluation of an asset, the increase or reduction in value will be allocated to the relevant Sub-Fund.
- d) Liabilities in connection with an asset belonging to a particular Sub-Fund resulting from action in connection with this Sub-Fund will be allocated to this Sub-Fund.

If one of the Fund's assets or liabilities cannot be allocated to a particular Sub-Fund, such receivables or liabilities will be allocated to all of the Sub-Funds pro rata to the respective Net Asset Value of the Sub-Funds, or on the basis of the Net Asset Value of all share classes in the Sub-Fund, in accordance with the determination made in good faith by the Board of Directors. The assets of a Sub-Fund can only be used to offset the liabilities which the Sub-Fund concerned has assumed.

- e) Distributions to the shareholders in a Sub-Fund or a share class reduce the Net Asset Value of this Sub-Fund or of this share class by the amount of the distribution.

For the purposes of this Chapter, the following terms and conditions apply:

- a) Shares of the Fund to be redeemed under Articles 8 and 9 of the Articles of Incorporation shall be treated as existing shares in circulation and taken into account until immediately after the time on the Valuation Date on which such valuation is made, as determined by the Board of Directors. From such time and until paid by the Fund, the redemption price shall be deemed to be a liability of the Fund;
- b) Shares count as issued from the time of their valuation on the relevant Valuation Date on which such valuation is made, as determined by the Board of Directors. From such time and until payment received by the Fund, the issue price shall be deemed to be a debt due to the Fund;
- c) Investment assets, cash and any other assets handled in a currency other than that in which the Net Asset Value is denominated will be valued on the basis of the market and foreign exchange rates prevailing at the time of valuation.
- d) If on any Valuation Date the Fund has contracted to:
  - - purchase any asset, the value of the consideration to be paid for such asset shall be shown as a liability of the Fund and the value of the asset to be acquired shall be shown as an asset of the Fund;
  - - sell any asset, the value of the consideration to be received for such asset shall be shown as an asset of the Fund and the asset to be delivered shall not be included in the assets of the Fund;
  - - provided however, that if the exact value or nature of such consideration or such asset is not known on such Valuation Date, then its value shall be estimated by the Fund.

The net assets of the Fund are at any time equal to the total of the net assets of the various Sub-Funds.

The value of all assets and liabilities not expressed in the reference currency of a Sub-Fund will be converted into the reference currency of such Sub-Fund at the rate of exchange determined on the relevant Valuation Date in good faith by or under procedures established by the Board of Directors. The Board of Directors, in its discretion, may permit some other method of valuation to be used if it considers that such valuation better reflects the fair value of any asset of the Fund.

## CHAPTER 10. SUSPENSION OF THE CALCULATION OF THE NET ASSET VALUE

The Fund may temporarily suspend the determination of the Net Asset Value of one or more Sub-Funds and the issue, conversion and redemption of the Shares:

- a) during any period when any of the stock exchanges or other markets on which the valuation of a significant and substantial part of any of the investments of the Fund attributable to such Sub-Fund from time to time is based, or any of the foreign-exchange markets in whose currency the net asset value any of the investments of the Fund attributable to such Sub-Fund from time to time or a significant portion of them is denominated, are closed – except on customary bank holidays – or during which trading and dealing on any such market is suspended or restricted or if such markets are temporarily exposed to severe fluctuations, provided that such restriction or suspension affects the valuation of the investments of the Fund attributable to such Sub-Fund quoted thereon;
- b) during the existence of any state of affairs which constitutes an emergency in the opinion of the Board of Directors as a result of which disposal or valuation of assets owned by the Fund attributable to such Sub-Fund would be impracticable;
- c) during any breakdown in the means of communication or computation normally employed in determining the price or value of any of the investments of such Sub-Fund or the current price or value on any stock exchange or other market in respect of the assets attributable to such Sub-Fund;
- d) during any period when the Fund is unable to repatriate funds for the purpose of making payments on the redemption of shares of such Sub-Fund, or during which any transfer of funds involved in the realisation or acquisition of investments or payments due on redemption of shares cannot, in the opinion of the Board of Directors, be effected at normal rates of exchange;
- e) if political, economic, military or other circumstances beyond the control or influence of the Fund make it impossible to access the Fund's assets under normal conditions without seriously harming the interests of the shareholders;
- f) when for any other reason, the prices of any investments owned by the Fund attributable to such Sub-Fund, cannot promptly or accurately be ascertained;
- g) upon the publication of a notice convening a general meeting of shareholders for the purpose of the liquidation of the Fund;
- h) to the extent that such suspension is justified by the necessity to protect the shareholders, upon publication of a notice convening a general meeting of shareholders for the purpose of the merger of the Fund or one or more of its Sub-Funds, or upon publication of a notice informing the shareholders of the decision of the Board of Directors to merge one or more Sub-Fund(s);
- i) when restrictions on foreign exchange transactions or other transfers of assets render the execution of the Fund's transactions impossible; or
- j) in case of a feeder Sub-Fund, when the master UCITS temporarily suspends, on its own initiative or at the request of its competent authorities, the redemption, the reimbursement or the subscription of its units; in such a case the suspension of the calculation of the net asset value at the level of the feeder Sub-Fund will be for a duration identical to the duration of the suspension of the calculation of the net asset value at

the level of the master UCITS.

The suspension of the calculation of the net asset value of any particular Sub-Fund shall have no effect on the determination of the net asset value per share or on the issue, redemption and conversion of shares of any Sub-Fund that is not suspended.

Any such suspension shall be notified to the existing shareholders, as well as to the shareholders requesting redemption or conversion of their Shares on the day following their request. Pending subscription and redemption requests can be withdrawn after written notification as long as these notifications reach the Fund before the end of the suspension. These requests will be considered on the first Valuation Day following the end of the suspension. Valuation Day refers to the definition in *Chapter 9 “Net Asset Value”* above.

## CHAPTER 11. ISSUE OF SHARES AND PROCEDURES OF SUBSCRIPTION AND PAYMENT

Unless otherwise stated in *Chapter 1 “Sub-Funds Particulars”*, the Board of Directors is authorized without limitation to allot and issue Shares of any Sub-Fund and any category. The Board of Directors is also authorized to fix a minimum subscription level for each Sub-Fund. Such minimum subscription level is determined for each Sub-Fund in *Chapter 1 “Sub-Funds Particulars”*.

### Current subscription

Shares will be issued at a price corresponding to the Net Asset Value per Share, plus a possible subscription fee based on the Net Asset Value per Share as specified for each Sub-Fund in *Chapter 1 “Sub-Funds Particulars”*.

### Procedures

Duly completed and signed application forms received by the Fund in Luxembourg no later than 3:00 pm on the business day in Luxembourg preceding a Valuation Day will, if accepted, be dealt with on the basis of the relevant Net Asset Value established on such Valuation Day. Requests received after this date and time will take effect on the following Valuation Day. Payment must be made within 2 Business Days following the Valuation Day. Investors must note that the Fund reserves the right to postpone subscriptions where there is no certainty that payment will reach the Depositary by the due date. Shares will therefore be allotted only after receipt of the subscription request together with cleared money or a document evidencing irrevocable payment within 2 Business Days following the Valuation Day. In case of payment by cheque, Shares will be allotted only after confirmation of the cheque's clearance.

Investors are informed that the Board of Directors is entitled to take adequate measure in order to prevent practices known as “Market-Timing” in relation to investments in the Fund. The Board of Directors will also ensure that the relevant cut-off time for requests for subscription, redemption and conversion are strictly complied with and will therefore take adequate measures to prevent practices known as “Late Trading”. In the event of recourse to Distributor agents, the Board of Directors will ensure that the Distributor agents duly comply with the relevant cut-off time.

The Board of Directors is entitled to reject requests for subscription and conversion in the event that it has knowledge or suspicions of the existence of such practices. In addition, the Board of Directors is authorized to take any further measures deemed appropriate to prevent the above mentioned practices, without prejudice however to the provisions under Luxembourg law.

### **Money Laundering Prevention**

In order to contribute to the fight against money laundering and terrorist financing, the Fund will anytime comply with any obligations imposed by any applicable laws, rules, regulations and circulars with respect to the prevention of money laundering and terrorist financing obliging investors to prove their identity to the Fund. Subscriptions will be considered valid and acceptable by the Fund only if the subscription form is sent together with:

- in the case of natural persons, a copy of an identification document (passport or identity card), or
- in the case of corporate entities, a copy of the corporate documents (articles of incorporation and a recent extract from the trade register, authorized signatures list, list of shareholders holding directly or indirectly more than 25% of the share capital or the voting rights of the investor, directors' list, ...) and a copy of the

identification documents (passport or identity card) of the beneficiaries and of the persons authorized to give instructions to the Administrative Agent.

Such documents must be duly certified by a public authority (public notary, police, consulate, embassy) of the country of residence.

Such obligation is absolute, unless

- the subscription form is sent (i) by a financial intermediary residing in any of the Member States of the European Union (hereinafter the “Member State(s)”), the European Economic Area or any other country which impose equivalent requirements to those laid down by the Law of 12 November 2004 on the fight against money laundering and terrorist financing as amended, or (ii) by a branch or a subsidiary of financial intermediaries located in another country, if the parent company of this branch or subsidiary is located in any of these countries and if both the legislation of these countries and the parent company internal rules impose the application of rules relating to anti-money laundering and terrorist financing to this branch or subsidiary;
- the subscription form is sent directly to the Fund and the subscription is paid by:
- a wire transfer from a financial intermediary residing in any of these countries,

However, the Board of Directors must obtain from its Distributor agents, financial intermediaries or directly from the subscriber, at first demand, a copy of the identification documents as indicated above.

Before accepting a subscription, the Fund may undertake additional investigations in accordance with national and international rules in force concerning anti-money laundering and terrorist financing.

Without prejudice to the above, the Board of Directors reserves the right to (a) refuse any application for subscription, and (b) redeem outstanding Shares held by investors who are not authorized to either buy or hold Shares of the Fund.



## CHAPTER 12. CONVERSION OF SHARES

Shares of all Sub-Funds and Classes may be converted into Shares of another Sub-Fund or another Class at a price equal to the respective Net Asset Values per Share of the Sub-Funds concerned.

If on any Valuation Day, conversion requests exceed 10% of the net asset value of any Sub-Fund, the Board of Directors may decide that part or all of such requests for conversion will be deferred. On the next dealing day these conversion requests will be met in priority to later requests.

If as a result of any request for conversion, the aggregate net asset value of the shares held by a shareholder in any share class of any Sub-Fund would fall below such value as determined by the Board of Directors and described in Chapter 1, the Fund may decide that this request shall be treated as a request for conversion for the full balance of such shareholder's holding of shares in such share class of the applicable Sub-Fund.

If accumulation shares and distribution shares exist in the relevant Sub-Funds, shareholders may apply for conversion of part of their holding or their whole holding of accumulation shares into distribution shares and vice versa; the conversion is carried out on the basis of the Net Asset Value determined on the relevant Valuation Day, minus a fee as described in *Chapter 1 "Sub-Funds Particulars"* inside the same Sub-Fund or from one Sub-Fund to another.

Any requests for conversion if received by the Fund in Luxembourg no later than 3:00 pm on the business day in Luxembourg preceding a Valuation Day will be executed based on the Net Asset Values per Share for the Sub-Funds and Class/ Classes concerned as determined on that Valuation Day after deduction, if applicable, of the conversion fee as specified in *Chapter 1 "Sub-Funds Particulars"*. Requests received after this date and time will take effect on the following Valuation Day.

The shareholder may request such a conversion of Shares by way of letter, telex or fax to the Fund, indicating the number, the Sub-Fund and the Class of Shares to be converted. Without prejudice to the regulations of *Chapter 13 "Redemption of shares"*, the request must be irrevocable and must be accompanied, if applicable, by a correctly completed transfer form or by all other documentation proving this transfer.

The number of Shares of the new Sub-Fund and/or Class to be allotted is calculated in accordance with the formula:

$$N = [(A \times B) - D] / C$$

Where,

N is the number of Shares of the new Sub-Fund and/or Class to be allotted and issued

A is the number of Shares of the original Sub-Fund and/or Class

B is the Net Asset Value of the original Sub-Fund and/or Class

C is the Net Asset Value of the new Sub-Fund and/or Class

D is the conversion fee to be determined for each Sub-Fund

In the case where requests for redemption or conversion of Shares of one Sub-Fund on any Valuation Day would exceed 10% of the Shares issued for such Sub-Fund, the Fund may reduce the size of the redemption or

conversion to 10% of the total number of Shares in issue for such Sub-Fund. Such reduction shall be applied towards all shareholders that have requested redemption or conversion in proportion to the number of Shares for which they request redemption or conversion. Redemption or conversion not made on such day will be postponed to the next Valuation Day and will be made in priority depending on the date on which the redemption or conversion request is received within the above mentioned limits. If requests for redemption or conversion are so deferred, the relevant shareholders will be informed. If a redemption should reduce the value of the Shares held by a shareholder in a Sub-Fund below the minimum holding as mentioned in Chapter 1, then such shareholder shall be deemed to have requested the redemption of all his Shares of such Sub-Fund.

The Fund respectively the Central Administration ensures that the practices of Late trading and Market Timing will be avoided. The cut-off times mentioned in this Prospectus will be strictly observed.

The shares which have been converted shall be cancelled.

## CHAPTER 13. REDEMPTION OF SHARES

Without prejudice to the exceptions and limitations stated elsewhere in this Prospectus, any shareholder may request that any or all of his Shares be redeemed by the Fund. Shares redeemed by the Fund will be nullified. The Board of Directors is authorized to set a minimum redemption amount for each Sub-Fund, in which case Chapter 1 of this Prospectus will be updated.

If on any Valuation Day, redemption requests exceed 10% of the net asset value of any Sub-Fund, the Board of Directors may decide that part or all of such requests for redemption will be deferred. On the next dealing day these redemption requests will be met in priority to later requests.

If as a result of any request for redemption, the aggregate net asset value of the shares held by a shareholder in any share class of any Sub-Fund would fall below such value as determined by the Board of Directors and described in Chapter 1, the Fund may decide that this request shall be treated as a request for redemption for the full balance of such shareholder's holding of shares in such share class of the applicable Sub-Fund.

Shares may be redeemed by notifying the Fund in writing, by way of a letter, telex or fax. A request for redemption will be irrevocable (unless the conditions laid out in the here above *Chapter 10 "Suspension of the Net Asset Value"* apply) and has to state the number, the Sub-Fund and, if applicable, the Class of Shares to be redeemed and payment instructions for the redemption proceeds. A request for redemption should state the name under which these Shares are registered as well as possible documents attesting the transfer of these Shares.

Any requests for redemption if received by the Fund in Luxembourg no later than 3:00 pm on the business day in Luxembourg preceding a Valuation Day, subject to what is otherwise provided in *Chapter 1 "Sub-Funds Particulars"*, will be executed at the Net Asset Value per Share for the Sub-Fund and Class concerned as determined on that Valuation Day after deduction, if applicable, of the redemption fee as specified in *Chapter 1 "Sub-Funds Particulars"*. Requests received after this date and time will take effect on the following Valuation Day.

The payment of redeemed Shares will take place within two Business Days following the Valuation Day, on condition that all the relevant documents have been received at the Fund's address in time. Payment will take place in the reference currency of the Sub-Fund, unless otherwise instructed in the request for redemption. In the later case, currency exchange charges will be borne by the shareholder.

The redemption price may be higher or lower than the price paid by the shareholder at the time of subscription, depending on the appreciation or the depreciation of the initial investment value.

The Fund respectively the Central Administration ensures that the practices of Late trading and Market Timing will be avoided. The cut-off times mentioned in this Prospectus will be strictly observed.

## CHAPTER 14. TAXATION

The following is a summary of certain material Luxembourg tax consequences of purchasing, owning and disposing of Shares. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase, own or sell Shares. It is included herein solely for preliminary information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. This summary does not allow any conclusion to be drawn with respect to issues not specifically addressed. The following description of Luxembourg tax law is based on the Luxembourg law and regulations in effect and as interpreted by the Luxembourg tax authorities on the date of the Prospectus. These laws and interpretations are subject to change that may occur after such date, even with retroactive or retrospective effect.

Prospective purchasers of the Shares should consult their own tax advisers as to the particular tax consequences of subscribing, purchasing, holding and disposing of the Shares, including the application and effect of any federal, state or local taxes under the tax laws of the Grand Duchy of Luxembourg and each country of which they are residents or citizens.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax generally encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu des personnes physiques*). Corporate taxpayers may further be subject to net wealth tax (*impôt sur la fortune*), as well as other duties, levies and taxes. Corporate income tax, municipal business tax and the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and a solidarity surcharge. Under certain circumstances, where individual taxpayers act in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

### Taxation of the Fund

In accordance with current legislation in Luxembourg, the Fund is exempt from Luxembourg income tax, municipal business tax and net wealth tax, and dividends paid by the Fund (if any) are exempt from dividend withholding tax.

### Subscription tax

The Fund is as a rule liable in Luxembourg to a subscription tax (*taxe d'abonnement*) of 0.05% *per annum*, such tax being payable quarterly. The taxable basis of the subscription tax is the aggregate net assets of the Fund valued on the last day of each quarter of the civil year.

This rate is however of 0.01% *per annum* for:

- undertakings whose sole object is the collective investment in money market instruments and in deposits with credit institutions;
- undertakings whose sole object of which is the collective investment in deposits with credit institutions; and
- individual compartments of UCIs with multiple compartments as well as for individual classes of securities issued within a UCI or within a compartment of a UCI with multiple compartments, provided that the

securities of such compartments or classes are reserved to one or more institutional investors.

Are further exempt from the subscription tax:

- the value of the assets represented by units held in other UCIs, provided such units have already been subject to the subscription tax provided for in Article 174 or in Article 68 of the Law of 13 February 2007 on specialised investment funds “or in Article 46 of the Law of 23 July 2016 on reserved alternative investment funds”;
- UCIs as well as individual compartments of UCIs with multiple compartments funds (i) whose securities are reserved for institutional investors, and (ii) whose sole object is the collective investment in money market instruments and the placing of deposits with credit institutions, (iii) whose weighted residual portfolio maturity does not exceed 90 days, and (iv) that have obtained the highest possible rating from a recognised rating agency. Where several classes of securities exist within the UCI or the compartment, the exemption only applies to classes whose securities are reserved for institutional investors;
- UCIs whose securities are reserved for (i) institutions for occupational retirement pension or similar investment vehicles, set up on one or more employers’ initiative for the benefit of their employees and (ii) companies of one or several employers investing funds they hold, to provide retirement benefits to their employees;
- UCIs as well as individual compartments of UCIs with multiple compartments whose main objective is the investment in microfinance institutions;
- UCIs as well as individual compartments of UCIs with multiple compartments (i) whose securities are listed or traded on at least one stock exchange or another regulated market, operating regularly, recognised and open to the public, and (ii) whose sole object is to replicate the performance of one or more indices. If several classes of securities exist within the UCI or the compartment, the exemption only applies to classes fulfilling the condition sub-point (i).

#### Value added tax

The Fund is considered in Luxembourg as a taxable person for value added tax (“VAT”) purposes without input VAT deduction right. A VAT exemption applies in Luxembourg for services qualifying as fund management services. Other services supplied to the Fund could potentially trigger VAT and require the VAT registration of the Fund in Luxembourg as to self-assess the VAT regarded as due in Luxembourg on taxable services (or goods to some extent) purchased from abroad.

No VAT liability arises in principle in Luxembourg in respect of any payments made by the Fund to its Shareholders, as such payments are linked to their subscription to the Fund’s Shares and do therefore not constitute the consideration received for taxable services supplied.

#### Other taxes

The Fund may be subject to withholding tax on dividends and interest and to tax on capital gains in the country of origin of its investments. As the Fund itself is exempt from income tax, withholding tax levied at source, if any, would normally not be refundable and it is not certain whether the Fund itself would be able to benefit from Luxembourg’s double tax treaties network. Whether the Fund may benefit from a double tax treaty concluded by Luxembourg must be analysed on a case-by-case basis. Indeed, as the Fund is structured as an investment company (as opposed to a mere co-ownership of assets), certain double tax treaties signed by Luxembourg may directly be applicable to the Fund.

No stamp duty or other tax is generally payable in Luxembourg on the issue of Shares against cash or the entering into shareholder loan agreements with the Fund, except a fixed registration duty of EUR 75 if such issue implies an amendment to the Articles.

#### Taxation of shareholders

It is expected that Shareholders in the Fund will be resident for tax purposes in many different countries. Consequently, no attempt is made in this Prospectus to summarise the taxation consequences for each Shareholders of subscribing, converting (if any), holding, redeeming, transferring or otherwise acquiring or disposing of Shares in the Fund. These consequences will vary in accordance with the law and practice currently in force in the Shareholder's country of citizenship, residence, domicile or incorporation and with his personal circumstances. Shareholders resident in or citizens of certain countries which have a tax legislation affecting foreign funds may have a current liability to tax on the undistributed income and gains of the Fund.

#### Tax residency

A Shareholder will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding and/or disposing of the Shares or the execution, performance or enforcement of his/her rights thereunder.

#### Resident shareholders

A Luxembourg resident Shareholder is not liable to any Luxembourg income tax on reimbursement of share capital previously contributed to the Fund.

#### Resident individuals

Dividends and other payments derived from the Shares by a resident individual Shareholder, who acts in the course of the management of either his/her private wealth or his/her professional/business activity, are subject to income tax at the ordinary progressive rates.

Capital gains realised upon the disposal of the Shares by a resident individual Shareholder, who acts in the course of the management of his/her private wealth, are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation. Capital gains are deemed to be speculative and are thus subject to income tax at ordinary rates if the shares are disposed of within six (6) months after their acquisition or if their disposal precedes their acquisition. A participation is deemed to be substantial where a resident individual Shareholder holds or has held, either alone or together with his spouse or partner and/or minor children, directly or indirectly at any time within the five (5) years preceding the disposal, more than 10% of the share capital of the company whose shares are being disposed of. A Shareholder is also deemed to alienate a substantial participation if he acquired free of charge, within the five (5) years preceding the transfer, a participation that was constituting a substantial participation in the hands of the alienator (or the alienators in case of successive transfers free of charge within the same five-year period). Capital gains realized on a substantial participation more than six (6) months after the acquisition thereof are taxed according to the half-global rate method (i.e. the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on the substantial participation). A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the participation.

Capital gains realised on the disposal of the Shares by a resident individual Shareholder, who acts in the course of the management of his/her professional/business activity, are subject to income tax at ordinary rates. Taxable gains are determined as being the difference between the price for which the Shares have been disposed of and

the lower of their cost or book value.

#### Resident companies

A Luxembourg resident company (*société de capitaux*) must include any profits derived, as well as any gain realised on the sale, disposal or redemption of Shares, in their taxable profits for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price and the lower of the cost or book value of the Shares sold or redeemed.

#### Resident shareholders benefiting from a special tax regime

Shareholders who are Luxembourg resident companies benefiting from a special tax regime, such as (i) undertakings for collective investment governed by UCI Law, (ii) specialised investment funds governed by the amended law of 13 February 2007, (iii) family wealth management companies governed by the law of 11 May 2007 or (iv) a reserved alternative investment fund treated as a specialised investment fund for Luxembourg tax purposes governed by the law of 23 July 2016 is exempt from income tax in Luxembourg and profits derived from the Shares are thus not subject to Luxembourg income tax.

#### Non-resident shareholders

A non-resident, who has neither a permanent establishment nor a permanent representative in Luxembourg to which or whom the Shares are attributable, is not liable to any Luxembourg income tax on income received and capital gains realized upon the sale, disposal or redemption of the Shares.

A non-resident company which has a permanent establishment or a permanent representative in Luxembourg to which the Shares are attributable, must include any income received, as well as any gain realised on the sale, disposal or redemption of Shares, in its taxable income for Luxembourg tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price and the lower of the cost or book value of the Shares sold or redeemed.

#### Withholding tax

As mentioned above, under current Luxembourg tax law, there is no withholding tax on any distribution, redemption or payment made by the Fund to its Shareholders under the Shares. There is also no withholding tax on the distribution of liquidation proceeds to the Shareholders.

#### Net worth tax

Luxembourg resident as well as non-resident who have a permanent establishment or a permanent representative in Luxembourg to which or whom the Shares are attributable, are subject to Luxembourg net worth tax on such Shares, except if the Shareholder is (i) an individual, (ii), an undertaking for collective investment subject to the UCI Law, (iii), a securitisation company governed by the amended law of 22 March 2004, (iv) a company governed by the amended law of 15 June 2004 on venture capital vehicles, (v) a specialised investment fund governed by the amended law of 13 February 2007, (vi) a professional pension institution governed by the amended law dated 13 July 2005, (vii) a family wealth management company governed by the amended law of 11 May 2007, or (viii) a reserved alternative investment fund governed by the law of 23 July 2016.

However, (i) a securitisation company governed by the Securitisation Law, (ii) a company governed by the amended law of 15 June 2004 on venture capital vehicles, (iii) a professional pension institution governed by the amended law dated 13 July 2005, and (iv) a reserved alternative investment fund treated as a venture capital governed by the law of 23 July 2016 remain subject to minimum net wealth tax.

### Other taxes

Under Luxembourg tax law, where an individual Shareholder is a resident of Luxembourg for tax purposes at the time of his/her death, the Shares are included in his or her taxable basis for inheritance tax purposes. On the contrary, no inheritance tax is levied on the transfer of the Shares upon death of a Shareholder in cases where the deceased was not a resident of Luxembourg for inheritance purposes.

Gift tax may be due on a gift or donation of the shares, if the gift is recorded in a Luxembourg notarial deed or otherwise registered in Luxembourg.

### Common Reporting Standard (CRS)

Capitalised terms used in this section should have the meaning as set forth in the CRS Law (as defined below), unless provided otherwise herein.

The Fund may be subject to the Common Reporting Standard (the “CRS”) as set out in the Luxembourg law of 18 December 2015, as amended or supplemented from time to time (the “CRS Law”) implementing Directive 2014/107/EU which provides for an automatic exchange of financial account information between Member States of the European Union as well as the OECD’s multilateral competent authority agreement on automatic exchange of financial account information signed on 29 October 2014 in Berlin, with effect as of 1 January 2016.

Under the terms of the CRS Law, the Fund is likely to be treated as a Luxembourg Reporting Financial Institution.

As such, the Fund will be required to annually report to the Luxembourg tax authorities personal and financial information related, *inter alia*, to the identification of, holdings by and payments made to (i) certain Shareholders qualifying as Reportable Persons and (ii) Controlling Persons of certain non-financial entities (“NFEs”) which are themselves Reportable Persons. This information, as exhaustively set out in Annex I of the CRS Law (the “Information”), will include personal data related to the Reportable Persons.

The Fund’s ability to satisfy its reporting obligations under the CRS Law will depend on each Shareholder providing the Fund with the Information, along with the required supporting documentary evidence. In this context, the Shareholders are hereby informed that, as data controller, the Fund will process the Information for the purposes as set out in the CRS Law.

Shareholders qualifying as passive NFEs undertake to inform their Controlling Persons, if applicable, of the processing of their Information by the Fund.

Additionally, the Fund is responsible for the processing of personal data and each Shareholder has a right to access the data communicated to the Luxembourg tax authorities and to correct such data (if necessary). Any data obtained by the Fund are to be processed in accordance with the applicable data protection legislation.

The Shareholders are further informed that the Information related to Reportable Persons will be disclosed to the Luxembourg tax authorities annually for the purposes set out in the CRS Law. The Luxembourg tax authorities will, under their own responsibility, eventually exchange the reported information to the competent authority of the Reportable Jurisdiction. In particular, Reportable Persons are informed that certain operations performed by them will be reported to them through the issuance of statements, and that part of this information will serve as a basis for the annual disclosure to the Luxembourg tax authorities.

Similarly, the Shareholders undertake to inform the Fund within thirty (30) days of receipt of these statements should any included personal data be not accurate. The Shareholders further undertake to immediately inform the Fund of, and provide the Fund with all supporting documentary evidence of any changes related to the Information after occurrence of such changes.



Although the Fund will attempt to satisfy any obligation imposed on it to avoid any fines or penalties imposed by the CRS Law, no assurance can be given that the Fund will be able to satisfy these obligations. If the Fund becomes subject to a fine or penalty as a result of the CRS Law, the value of the Shares held by the Shareholders may suffer material losses.

Any Shareholder that fails to comply with the Fund's Information or documentation requests may be held liable for penalties imposed on the Fund as a result of such Shareholder's failure to provide the Information or subject to disclosure of the Information by the Fund to the Luxembourg tax authorities and the Fund may, in its sole discretion, redeem the Shares of such Shareholders.

#### FATCA

Capitalised terms used in this section should have the meaning as set forth in the FATCA Law (as defined below), unless provided otherwise herein.

The Fund may be subject to the so-called FATCA legislation which generally requires reporting to the US Internal Revenue Service of non-US financial institutions that do not comply with FATCA and direct or indirect ownership by US persons of non-US entities. As part of the process of implementing FATCA, the US government has negotiated intergovernmental agreements with certain foreign jurisdictions which are intended to streamline reporting and compliance requirements for entities established in such foreign jurisdictions and subject to FATCA.

Luxembourg has entered into a Model I Intergovernmental Agreement implemented by the Luxembourg law of 24 July 2015, as amended or supplemented from time to time (the "FATCA Law"), which requires Financial Institutions located in Luxembourg to report, when required, information on Financial Accounts held by Specified US Persons, if any, to the Luxembourg tax authorities (*administration des contributions directes*).

Under the terms of the FATCA Law, the Fund is likely to be treated as a Luxembourg Reporting Financial Institution.

This status imposes on the Fund the obligation to regularly obtain and verify information on all of its Shareholders. On the request of the Fund, each Shareholder shall agree to provide certain information, including, in the case of a passive Non-Financial Foreign Entity ("NFFE"), information on the Controlling Persons of such NFFE, along with the required supporting documentation. Similarly, each Shareholder shall agree to actively provide to the Fund within thirty (30) days any information that would affect its status, as for instance a new mailing address or a new residency address.

FATCA may require the Fund to disclose the names, addresses and taxpayer identification number (if available) of its Shareholders as well as information such as account balances, income and gross proceeds (non-exhaustive list) to the Luxembourg tax authorities for the purposes set out in the FATCA Law. Such information will be relayed by the Luxembourg tax authorities to the US Internal Revenue Service.

Shareholders qualifying as passive NFFEs undertake to inform their Controlling Persons, if applicable, of the processing of their information by the Fund.

Additionally, the Fund is responsible for the processing of personal data and each Shareholder has a right to access the data communicated to the Luxembourg tax authorities and to correct such data (if necessary). Any data obtained by the Fund are to be processed in accordance with the applicable data protection legislation.

Although the Fund will attempt to satisfy any obligation imposed on it to avoid imposition of FATCA withholding tax, no assurance can be given that the Fund will be able to satisfy these obligations. If the Fund becomes subject

to a withholding tax or penalties as result of the FATCA regime, the value of the Shares held by the Shareholders may suffer material losses. The failure for the Fund to obtain such information from each Shareholder and to transmit it to the Luxembourg tax authorities may trigger the 30% withholding tax to be imposed on payments of US source income and on proceeds from the sale of property or other assets that could give rise to US source interest and dividends as well as penalties.

Any Shareholder that fails to comply with the Fund's documentation requests may be charged with any taxes and/or penalties imposed on the Fund as a result of such Shareholder's failure to provide the information and the Fund may, in its sole discretion, redeem the Shares of such Shareholder.

Shareholders who invest through intermediaries are reminded to check if and how their intermediaries will comply with this US withholding tax and reporting regime.

Shareholders should consult a US tax advisor or otherwise seek professional advice regarding the above requirements.

## CHAPTER 15. CHARGES AND EXPENSES

The preliminary expenses incurred in the formation of the Fund including the preparation and the publication of the Prospectus, and various fees and taxes to be paid to a Public Notary, tax authorities, (Luxembourg) Stock Exchange, printing costs and all other expenses related to the incorporation of the Fund were payable by the Fund from the proceeds of the offering, subject to otherwise provided by the Board of Directors. Such preliminary expenses have been written off over a period not exceeding five accounting years. The preliminary expenses were only borne by the Sub-Funds were initially launched. Further Sub-Funds will only bear the preliminary expenses relating to their own launching.

The fees and costs of the Depositary and of the Central Administration and Domiciliation Agent borne by the Fund and shall be those generally charged in Luxembourg with a maximum of 0.25% per annum. They represent an annual percentage of the net assets and are paid on a monthly basis.

The Fund will bear the following operating and administrative expenses: fees and expenses relating to the Fund's permanent representatives in countries where registration fees are due, as well as legal, audit, promotion, printing and publication of sales documents and periodical financial reports fees and expenses as well as expenses relating to agents of the Fund. Costs relating to general meetings of shareholders or of the Board of Directors, travel expenses for administrators and directors, in a reasonable amount; directors' fees, registration fees and all taxes paid to governmental or stock-exchange authorities, as well as publication costs in relation with the issue and redemption of Shares and other expenses, such as financial, bank or broker expenses charged for the selling or buying of assets; and all other administrative expenses are to be considered and taken into account as costs and expenses relating modification of the Articles of Incorporation and the Prospectus.

Fees and expenses that cannot be attributed to one single Sub-Fund will either be ascribed to all Sub-Funds on an equal basis or will be prorated on basis of the Net Asset Value of each Sub-Fund, if the amount and cause justify doing so.

### ***Total Expense Ratio ("TER")***

The TER, being the ratio of the gross amount of the expenses of the Sub-Fund to its average net assets, which is inserted in the annual reports is including the following expenses: the depositary fees, the administrative fees, the management fees, the "taxe d'abonnement", the costs in connection with legal registrations abroad, the external audit fees, as well as the costs carried out for extraordinary measures in the interests of the shareholders.

### ***Portfolio Turnover***

The turnover rate of the portfolio, which is inserted into the annual reports, has been computed in compliance with the following formula:

$$\text{Turnover} = [(Total1 - Total2)/M] * 100$$

With:

Total 1= Total of securities transactions during the relevant period = X+Y

Where X = purchases of securities and Y = sale of securities

Total 2 = total of transactions in Shares of the Sub-Fund during the relevant period = S+T

Where S = subscriptions of Shares of the Sub-Fund and T = redemptions of Shares of the Sub-Fund

M = average monthly assets of the Sub-Fund.

## **CHAPTER 16. GENERAL MEETINGS OF SHAREHOLDERS**

The annual general meeting of shareholders (the “AGM”) is held each year at the registered office of the Fund or at any other address in Luxembourg specified in the notice of meeting. The AGM will be held on the second Wednesday of March at 11:00 a.m. If this date is not a business day in Luxembourg, the AGM will be held on the following business day in Luxembourg.

The notice will be sent to shareholders at the address given in the Register of Shareholders at least eight days before the date of the meeting.

These notices will set forth the time and the place of the meeting as well as the conditions of admission, the agenda and the conditions of quorum and majority as required by Luxembourg law. The requirements relating to attendance at the meeting, the quorum and the majority for each general meeting are stated in articles 67 and 67-1 of the above mentioned 1915 Law and in the Articles of Incorporation.

Each Share is entitled to one vote at each general meeting of shareholders and at each meeting of the relevant class. Fractions of Shares do not give any voting rights. Any amendment to the Articles of Incorporation involving a variation of the rights of a category of Shares will have to be approved by a resolution of a meeting of the shareholders of the Fund and shareholders of the relevant category.

## CHAPTER 17. CONFLICTS OF INTEREST

The Board of Directors, the Management Company, the Depositary, the Administrative Agent and the other service providers of the Fund, and/or their respective affiliates, members, employees or any person connected with them may be subject to various conflicts of interest in their relationships with the Fund.

The Management Company and the Depositary have adopted and implemented a conflicts of interest policy and have made appropriate organisational and administrative arrangements to identify and manage conflicts of interests so as to minimise the risk of the Fund's interests being prejudiced, and if they cannot be avoided, ensure that the Fund's investors are treated fairly.

The Depositary and the Administrative Agent are part of the UBS Group and of the Northern Trust Group (the "Affiliated Person").

The Affiliated Person is a worldwide, full-service private banking, investment banking, asset management and financial services organization and a major participant in the global financial markets. As such, the Affiliated Person is active in various business activities and may have other direct or indirect interests in the financial markets in which the Fund invests.

The Affiliated Person including its subsidiaries and branches may act as counterparty and in respect of financial derivative contracts entered into by the Fund. A potential conflict may further arise as the Depositary is related to a legal entity of the Affiliated Person which provides other products or services to the Fund.

In the conduct of its business, the Affiliated Person's policy is to identify, manage and where necessary prohibit any action or transaction that may pose a conflict between the interests of the Affiliated Persons' various business activities and the Fund or its investors. The Affiliated Person strives to manage any conflicts in a manner consistent with the highest standards of integrity and fair dealing. For this purpose, the Affiliated Person has implemented procedures that shall ensure that any business activities involving a conflict which may harm the interests of the Fund or its investors, are carried out with an appropriate level of independence and that any conflicts are resolved fairly.

## CHAPTER 18. LIQUIDATION AND MERGER OF THE FUND AND ITS SUB-FUNDS

### Liquidation of the Fund

The liquidation of the Fund will take place if the conditions stated in the UCI Law apply. The Fund can be dissolved at any time by the general meeting of the shareholders in due observance of the legal conditions governing the quorum and necessary majority.

If the total net assets of the Fund fall below two thirds of the prescribed minimum capital, the Board of Directors must submit the question of the dissolution of the Fund to a general meeting for which no quorum shall be prescribed and which shall decide by simple majority of the Shares represented at the meeting. If the total net assets of the Fund fall below one fourth of the prescribed minimum capital, the Board of Directors must submit the question of the dissolution of the Fund to a general meeting, the dissolution may be resolved by investors holding one fourth of the Shares represented at the meeting for which no quorum shall be prescribed. The meeting must be convened so that it is held within a period of 40 days as from the ascertainment that the net assets have fallen below two thirds or one fourth of the legal minimum as the case may be. Furthermore, the general meeting may decide to dissolve the Fund following the relevant articles of the Articles of Incorporation. Any decision or order of liquidation will be notified to the Shareholders, and published in accordance with the UCI Law.

If the Fund is dissolved, the liquidation shall be carried out by one or more liquidators to be designated by the general meeting, which shall also determine their sphere of responsibility and remuneration. The liquidators shall realise the Fund's assets in the best interests of the shareholders and distribute the net proceeds from the liquidation of the Sub-Funds to the shareholders of said Sub-Funds in proportion to their respective holdings. Any liquidation proceeds which cannot be distributed to the shareholders at the completion of the liquidation (which could last up to nine months) are immediately deposited at the "*Caisse de Consignation*" in Luxembourg.

### Liquidation of Sub-Funds or Share classes

If the total value of the net assets of a Sub-Fund and/or a Share class falls to a level that does not allow the Sub-Fund and/or Share class to be managed in an economically reasonable way as well as in the course of a rationalisation, the Board of Directors may demand the termination of that Sub-Fund and/or Share class. The same also applies in cases where changes to the political or economic conditions justify such liquidation.

Up to the date upon which the decision takes effect, shareholders retain the right, free of charge, subject to the liquidation costs to be taken into account and subject to the guaranteed equal treatment of shareholders, to request the redemption of their Shares. The Board of Directors may however determine a different procedure, in the interest of the shareholders of the Sub-fund(s) and/or of the Share classes of Sub-fund(s).

Regardless of the Board of Directors rights, the general meeting of shareholders of a Sub-Fund and/or Share class of a Sub-Fund may reduce the Fund's capital at the proposal of the Board of Directors by withdrawing Shares issued by a Sub-Fund and refunding shareholders with the Net Asset Value of their Shares, taking into account actual realization prices of investments and realization expenses and any costs arising from the liquidation) calculated on the Valuation Date on which such decision shall take effect. The Net Asset Value is calculated for the day on which the decision comes into force, taking into account the proceeds raised on disposing of the Sub-Fund's assets and any costs arising from this liquidation. No quorum (minimum presence of shareholders covering the capital represented) is required for a decision of this type. The decision can be made with a simple majority of the Shares present or represented at the general meeting.

Shareholders in the relevant Sub-fund and/or Share class will be informed of the decision by the general meeting of shareholders to withdraw the Shares or of the decision of the Board of Directors to liquidate the Sub-fund and/or Share class by means of a publication as required by law. In addition and if necessary in accordance with the statutory regulations of the countries in which Shares in the Fund are sold, an announcement will then be made in the official publications of each individual country concerned.

Any liquidation proceeds which cannot be distributed to the shareholders at the completion of the liquidation (which could last up to nine months) are immediately deposited at the “*Caisse de Consignation*” in Luxembourg. All redeemed Shares shall be cancelled by the Fund.

Each Sub-fund of the Fund being a feeder Sub-fund shall be liquidated, if its master UCITS is liquidated, divided into two or more UCITS or merged with another UCITS, unless the *Commission de Surveillance du Secteur Financier* (the “CSSF”) approves:

- a) the investment of at least 85 % of the assets of the feeder Sub-fund in units of another master UCITS; or
- b) its conversion into a Sub-fund which is not a feeder Sub-fund.

Without prejudice to specific provisions regarding compulsory liquidation, the liquidation of a Sub-fund of the Fund being a master Sub-fund shall take place no sooner than three months after the master Sub-fund has informed all of its shareholders and the CSSF of the binding decision to liquidate.

Mergers of the Fund or of Sub-Funds with another UCITS or other Sub-Funds thereof; mergers of one or more Sub-Funds within the Fund; Division of Sub-Funds

“**Merger**” means an operation whereby:

- a) one or more UCITS or sub-funds thereof, the “**merging UCITS/ sub-fund**”, on being dissolved without going into liquidation, transfer all of their assets and liabilities to another existing UCITS or a sub-fund thereof, the “**receiving UCITS**”, in exchange for the issue to their shareholders of Shares of the receiving UCITS and, if applicable, a cash payment not exceeding 10% of the net asset value of those Shares;
- b) two or more UCITS or sub-funds thereof, the “**merging UCITS/ sub-fund**”, on being dissolved without going into liquidation, transfer all of their assets and liabilities to a UCITS which they form or a sub-fund thereof, the “**receiving UCITS/ sub-fund**”, in exchange for the issue to their shareholders of Shares of the receiving UCITS and, if applicable, a cash payment not exceeding 10% of the net asset value of those Shares;
- c) one or more UCITS or sub-funds thereof, the “**merging UCITS/ sub-fund**”, which continue to exist until the liabilities have been discharged, transfer their net assets to another sub-fund of the same UCITS, to a UCITS which they form or to another existing UCITS or a sub-fund thereof, the “**receiving UCITS/ sub-fund**”.

Mergers can be performed in accordance with the form, modalities and information requirements provided for by the UCI Law; the legal consequences of mergers are governed by and described in the UCI Law.

Under the same circumstances as provided in the previous Paragraph “Liquidation of Sub-Funds and / or Share classes”, the Board of Directors may decide to reorganise a Sub-fund and/or Share class by means of a merger with another existing Sub-fund and/or Share class within the Fund or with another UCITS established in Luxembourg or in another Member-State or to another sub-fund and/or Share class within such other UCITS (the “**new fund/sub-fund**”) and to re-designate the Shares of the relevant sub-fund or Share class concerned as Shares of another sub-fund and/or Share class (following a split or consolidation, if necessary, and the payment of the amount corresponding to any fractional entitlement to shareholders). Such decision will be published in the same manner as described in the previous Chapter and, in addition, the publication will contain information



in relation to the new fund or sub-fund. During a period of thirty days following the publication of such a decision, shareholders may request redemption or conversion of their Shares, free of charge.

Under the same circumstances as provided in the previous Chapter, the Board of Directors may decide to reorganise a Sub-fund and/or Share class by means of a division into two or more sub-funds and/or Share classes. Such decision will be published in the same manner as described herein and, in addition, the publication will contain information about the two or more new sub-funds. During a period of thirty days following the publication of such a decision, shareholders may request redemption or conversion of their Shares free of charge.

Where a Sub-fund of the Fund has been established as a master sub-fund, no merger or division shall become effective, unless the master sub-fund has provided all of its shareholders and the CSSF with the information required by law, by sixty days before the proposed effective date. Unless the CSSF or the competent authorities of the home Member State of the feeder-UCITS, as the case may be, have granted the feeder-UCITS approval to continue to be a feeder-UCITS of the master sub-fund resulting from the merger or division of such master sub-fund, the master sub-fund shall enable the feeder-UCITS to repurchase or redeem all Shares in the master sub-fund before the merger or division becomes effective.

The shareholders of both, the merging and receiving sub-fund have the right to request, without any charge other than those retained by the sub-fund to meet disinvestment costs, the repurchase or redemption of their Shares or, where possible, to convert them into Shares of another Sub-fund of the Fund with similar investment policy or shareholders may also convert their Shares into another UCITS managed by the Management Company or by any other company with which the Management Company is linked by common management or control, or by a substantial direct or indirect holding. This right shall become effective from the moment that the shareholders of the merging and those of the receiving sub-fund have been informed of the proposed merger and shall cease to exist five working days before the date for calculating the exchange ratio.

The Board of Directors may temporarily suspend the subscription, repurchase or redemption of Shares, provided that any such suspension is justified for the protection of the shareholders.

If a Sub-fund of the Fund is the receiving sub-fund, the entry into effect of the merger shall be made public through all appropriate means by the Fund and shall be notified to the CSSF and, where appropriate, to the competent authorities of the home Member States of the other UCITS involved in the merger.

Under the same circumstances as provided in the previous Chapter, the general meeting of shareholders of the Fund may decide with no quorum requirement and simple majority to merge the whole Fund with another UCITS established in Luxembourg or in another Member State or with any sub-fund thereof.

A merger which has taken in accordance with the provisions of the UCI Law cannot be declared null and void.

## CHAPTER 19. INFORMATION AVAILABLE TO SHAREHOLDERS AND COMPLAINTS HANDLING

The Net Asset Value as well as the issue and redemption prices are available to the public on each Valuation Day at the registered office of the Fund.

The financial year of the Fund starts on the first of October and ends on the thirty of September of the next year. The Fund publishes a yearly audited report on its activity and the management of its assets. The annual audited report will include a consolidated balance sheet, a consolidated income and expenditure account for the financial year, a statement of assets and liabilities for each Sub-Fund, and the auditor's report. It also contains details on the underlying assets focused on by the respective Sub-Fund through the use of derivative financial instruments, the counterparties to these derivative transactions, as well as the collateral (and its scope) provided in favour of the Sub-Fund by its counterparties, in order to reduce credit risk.

At the end of each semester a half-yearly un-audited report is published containing the composition of the portfolios, a statement of changes in the portfolios, the number of outstanding Shares and the number of Shares issued and redeemed since publication of the last report. If deemed appropriate, the Fund can publish interim reports. Audited annual reports shall be published within for months following the end of the financial year and un-audited half-yearly reports shall be published within two months following the period to which they refer.

Copies of the Articles of Incorporation may be obtained at the registered office of the Fund. Material provisions of the Agreements referred to in this Prospectus, to the extent that they may be relevant to the shareholders, may be inspected during usual business hours on any Luxembourg bank business day at the registered office of the Fund, 2C, rue Albert Borschette, L-1246 Luxembourg).

The key investor information documents are published on the website *www.chahinecapital.com*. Furthermore the key investor information documents will be supplied to shareholders on request and free of charge.

Complaints of shareholders may be filed with the Management Company, the Depositary and any paying agent or distributor. Complaints will be dealt with properly in a timely manner.

## CHAPTER 20. INVESTMENT GUIDELINES AND RESTRICTIONS

The Fund's investments shall be subject to the following guidelines.

### **(1) Investment Instruments**

(A) In line with the investment policy of the respective Sub-Funds, the assets of the individual Sub-Funds must solely consist of:

- a) transferable securities and money market instruments admitted to or dealt in on a regulated market, as defined in Article 4 point 1 (14) of the Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004;
- b) transferable securities and money market instruments dealt in on another regulated market in a Member State which operates regularly and is recognised and open to the public; For the purpose of this prospectus, the term "Member State" refers to a member state as defined in the 2010 Law;
- c) transferable securities and money market instruments admitted to official listing on a stock exchange in a non-Member State or dealt in on another regulated market in a non-Member State of the European Union which operates regularly and is recognised and open to the public provided that the choice of the stock exchange or the market has been provided for in the articles of incorporation of the Fund;
- d) recently issued transferable securities and money market instruments, provided that:
  - the terms of issue include an undertaking that application will be made for admission to official listing on a stock exchange or to another regulated market referred to under a) to c) above;
  - such admission is secured within one year of issue;
- e) Shares or units of UCITS authorised according to Directive 2009/65/EC and/or other UCIs within the meaning Article 1 paragraph (2) points a) and b) of Directive 2009/65/EC, whether or not established in a Member State, provided that:
  - such other UCI are authorised under laws which provide that they are subject to supervision considered by the CSSF to be equivalent to that laid down in EU law, and that cooperation between authorities is sufficiently ensured;
  - the level of guaranteed protection for unit-holders in such other UCI is equivalent to that provided for unit-holders in a UCITS, and in particular that the rules on asset segregation, borrowing, lending, and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of Directive 2009/65/EC;
  - the business of the other UCI is reported in half-yearly and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period;
  - no more than 10% of the assets of the UCITS or the other UCIs, whose acquisition is contemplated, can, according to its instruments of incorporation, be invested in aggregate in units of other UCITS or other UCIs.

Each Sub-Fund may also acquire shares of another Sub-Fund subject to the provisions of Section (2) point (C)

here below.

- f) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 twelve months, provided that the credit institution has its registered office in a Member State or, if the registered office of the credit institution is situated in a non-Member State, provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law;
- g) financial derivative instruments, including equivalent cash-settled instruments, dealt in on a regulated market referred to in sub-paragraphs a), b) and c); and/or financial derivative instruments dealt in over-the-counter ("OTC derivatives"), provided that
  - the use of derivatives is in accordance with the investment purpose and investment policy of the respective Sub-Fund m and is suited towards achieving these;
  - the underlying consists of instruments covered by Section (1) point (A), financial indices, interest rates, foreign exchange rates or currencies, in which the Fund may invest according to its investment objectives as stated in the Fund's Articles of Incorporation,
  - the Sub-Funds ensure, through adequate diversification of the underlying assets, that the diversification requirements applicable to them and listed in the section entitled "Risk diversification" are adhered to;
  - the counter-parties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the CSSF and have been specially approved by the Board of Directors of the Fund,
  - the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair market value at the Fund's initiative; and
  - the respective counterparty is not granted discretion regarding the composition of the portfolio managed by the respective Sub-Fund (e.g. in the case of a total return swap or a derivative financial instrument with similar characteristics) or the underlying of the respective OTC derivative.
- h) money market instruments other than those dealt in on a regulated market and referred to in paragraphs a) to d) above, if the issue or issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and provided these instruments are:
  - issued or guaranteed by a central, regional or local authority, a central bank of a Member State, the European Central Bank, the European Union 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 belong, or
  - issued by an undertaking any securities of which are dealt in on regulated markets referred to in sub-paragraphs a), b) or c), or
  - issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by EU law or by an establishment which is subject to and comply with prudential rules considered by the CSSF to be at least as stringent as those laid down by EU law, or
  - issued by other bodies belonging to the categories approved by the CSSF provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second

or the third indent and provided that the issuer is a company whose capital and reserves amount to at least ten million euros (EUR 10,000,000.-) and which presents and publishes its annual accounts in accordance with Fourth Directive 78/660/EEC, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

(B) The Fund and/or each Sub-Fund:

- a) may invest no more than 10% of its assets in transferable securities and money market instruments other than those referred to in paragraph (1) (A).
- b) may acquire movable and immovable property which is essential for the direct pursuit of its business;
- c) may not acquire either precious metals or certificates representing them;
- d) may hold ancillary liquid assets.

Notwithstanding the prohibited investments outlined under point 1 (B) (c) above, the Fund is authorized to invest the respective Sub-Funds' net assets in:

- certificates with individual precious metals as underlying assets and which comply with the securities requirements stipulated in Article 2 of Directive 2007/16/EC and which do not include any embedded derivatives linked to an index's performance.
- certificates with individual commodities or commodities indices as underlying assets and which comply with the securities requirements stipulated in Article 2 of Directive 2007/16/EC and which do not include any embedded derivatives linked to an index's performance.

## **(2) Risk Diversification**

(A) In accordance with the principle of risk diversification, each Sub-Fund will invest no more than 10% of its net assets in transferable securities or money market instruments issued by the same issuing body. Each Sub-Fund may not invest more than 20% of its assets in deposits made with the same body.

The risk exposure to a counterparty of each Sub-Fund in an OTC derivative transaction may not exceed 10% of its assets when the counterparty is a credit institution referred to in Section (1) point (A) f), or 5% of its assets in the other cases.

Moreover, the total value of the transferable securities and money market instruments held by the Sub-Fund in the issuing bodies in each of which it invests more than 5% of its assets must not exceed 40% of the value of its assets. This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.

Notwithstanding the limits laid down in the two first paragraphs of this Section (2), the Sub-Fund shall not combine, where this would lead to investing more than 20% of its assets in a single body, any of the following:

- investments in transferable securities or money market instruments issued by;
- deposits made with or;
- exposures arising from OTC derivative transactions undertaken with a single body.

(B) The following exceptions can be made:

- a) The aforementioned limit of 10% can be raised to a maximum of 25% for certain bonds if they are issued by credit institution whose registered office is situated in a Member State and which is subject, by virtue of law, to particular public supervision for the purpose of protecting the holders of such bonds. In particular, the amounts resulting from the issue of such bonds must be invested, pursuant to the UCI Law in assets which during the whole period of validity of such bonds, are capable of covering claims attaching to the bonds and which, in case of bankruptcy of the issuer, would be used for, the repayment of the principal and payment of the accrued interest. If the Sub-Fund invests more than 5% of its net assets in such bonds as referred to above and issued by the same issuer, the total value of such investments may not exceed 80% of the value of the Sub-Fund's net assets.
- b) The aforementioned limit of 10% can be raised to a maximum of 35% for transferable securities or money market instruments issued or guaranteed by a Member State, by its local authorities, by a OECD Member State or by public international bodies of which one or more Member States are members.

The transferable securities referred to in exceptions (a) and (b) are not included in the calculation of the limit of 40% laid down above.

The limits stated under Section (2) points (A) and (B), above, may not be combined and, accordingly, investments in transferable securities or money market instruments issued by the same body or in deposits or derivatives instruments made with this body in accordance with Section (2) points (A) and (B), may not, in any event, exceed a total of 35% of the Sub-fund's net assets.

Companies which are included in the same group for the purposes of consolidated accounts, as defined in accordance with Directive 83/349/EEC or in accordance with recognised international accounting rules are regarded as a single body for the purpose of calculating the limits contained in the present Section "Risk Diversification".

The Fund may invest in aggregate up to 20% of its assets in transferable securities and money market instruments with the same group.

**(c) The Sub-Fund is authorized to invest in accordance with the principle of risk-spreading up to 100% of its assets in different transferable securities and / or money market instruments issued or guaranteed by a Member State, its local authorities, an OECD Member State or by public international bodies of which one or more Member States are members; provided that in such event, the Sub-Fund must hold securities and / or money market instruments from at least six different issues and securities and / or money market instruments from one issue may not account for more than 30% of the total net assets.**

(C) Each Sub-Fund may also subscribe for, acquire and/or hold shares issued or to be issued by one or more other Sub-Fund(s) of the Fund or one or more sub-fund(s) another UCITS (the "Target Sub-Fund") subject to additional requirements which may be specified in Chapter 1, if:

- (i) the Target Sub-Fund does not, in turn, invest in the Sub-Fund invested in this Target Sub-Fund; and
- (ii) no more than 10% of the assets of the Target Sub-Fund whose acquisition is contemplated may be invested in aggregate in shares of other Target Sub-Funds of the Fund or another UCITS; and
- (iii) voting rights, if any, attaching to the relevant securities are suspended for as long as they are held by the Sub-Fund concerned; and
- (iv) in any event, for as long as these securities are held by the relevant Sub-Fund, their value will not be taken

into consideration for the purposes of verifying the minimum threshold of the net assets imposed by the UCI Law; and

- (v) there is no duplication of management/subscription or redemption fees between those at the level of the Sub-Fund having invested in the Target Sub-Fund, and this Target Sub-Fund.

### **(3) Specific Rules for Master / Feeder structures**

(A) A feeder sub-fund is a sub-fund of the Fund, which has been approved to invest, by way of derogation from article 2, paragraph (2), first indent of the UCI Law, at least 85% of its assets (i) in units of another sub-fund of the Fund, subject to compliance with point (C) hereabove, or (ii) in units of another UCITS or (iii) in units of a sub-fund of another UCITS ((i) or (ii) or (iii) hereafter referred to as the “**master UCITS**”).

(B) A feeder sub-fund may hold up to 15% of its assets in one or more of the following:

- a) ancillary liquid assets in accordance point (1) last paragraph above;
- b) financial derivative instruments, which may be used only for hedging purposes, in accordance with point (1) paragraph (g) above and Article 42, paragraphs (2) and (3) of the UCI Law;
- c) movable and immovable property which is essential for the direct pursuit of its business.

(C) For the purposes of compliance with Article 42, paragraph (3) of the UCI Law, the feeder sub-fund shall calculate its global exposure related to financial derivative instruments by combining its own direct exposure under point (3) (B) b) above, with:

- a) either the master UCITS’ actual exposure to financial derivative instruments in proportion to the feeder sub-fund’s investment into the master UCITS;
- b) or the master UCITS’ potential maximum global exposure to financial derivative instruments provided for in the master UCITS management regulations or instruments of incorporation in proportion to the feeder sub-fund’s investment into the master UCITS.

(D) A master UCITS is a sub-fund of the Fund, a UCITS, or a sub-fund thereof, which:

- a) has, among its shareholders, at least one feeder sub-fund or feeder UCITS;
- b) is not itself a feeder sub-fund or feeder UCITS; and
- c) does not hold units of a feeder sub-fund or feeder UCITS.

(E) If a master UCITS has at least two feeder sub-funds/UCITS as shareholders, article 2, paragraph (2), first indent and Article 3, second indent of the UCI Law shall not apply.

### **(4) Investment Restrictions**

(A) The Fund may acquire the units of UCITS and/or other UCIs referred to in Section (1) point (A) e), provided that no more than 20% of its assets are invested in a single UCITS or other UCI.

For the purposes of applying this investment limit, each Sub-Fund of a UCI with multiple Sub-Funds, within the meaning of Article 181 of the UCI Law, shall be considered as a separate entity, provided that the principle of segregation of commitments of the different Sub-Funds is ensured in relation to third parties.

- a) Investments made in units of UCI other than UCITS may not exceed, in aggregate, 30% of the assets of the Fund.

When the Fund has acquired units of UCITS and/or other UCIs, the assets of the respective UCITS or other UCI do not have to be combined in the view of the limits laid down under Section (2) Risk Diversification.

- b) When the Fund invests in the units of other UCITS and/or other UCIs that are managed, directly or by delegation, by UBS AG or by any other company to which UBS AG is linked by common management or control or by a substantial direct or indirect holding of more than 10 % of the capital or of the votes, the Management Company may not charge subscription or redemption fees on account of the Fund's investments in the units of such other UCITS and/or UCI.

(B) The Fund will not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.

(C) The Fund may not acquire more than 10% of non-voting shares of the same issuer, more than 10% of the debt securities issued by the same issuer, more than 25% of the units of the same UCITS or UCI or more than 10% of the money market instruments of the same issuer.

The limits under (B) and (C) are waived as to:

- a) Transferable securities and money market instruments issued or guaranteed by a Member State or its local authorities;
- b) transferable securities and money market instruments issued or guaranteed by a non-Member State;
- c) transferable securities and money market instruments issued by public international bodies of which one or more Member States are members;
- d) shares held in the capital of a company incorporated in a non-Member State and investing its assets mainly in securities of issuers having their registered office in that State, if under the legislation of that State such a holding represents the only way in which the Fund can invest in the securities of the issuers of that State. This derogation only applies if the company has an investment policy complying with the provisions of Section (2) Risk Diversification points (A) and (B), as well as of Section (4) Investment Restrictions, points (A), (B) and (C). If the limits stated in the provisions of Section (2), points (A) and (B) and in Section (4), points (A), (B) and (C) are exceeded, the limit under the provisions of Section (4) point (G) shall apply mutatis mutandis.
- e) shares held by one or more investment companies in the capital of subsidiary companies which carry on the business of management, advice or marketing in the country/state where the subsidiary is established, in regard to the repurchase of units at the shareholders' request exclusively on its or their behalf.

(D) Any Sub-Fund may not borrow more than 10% of its total net assets, and then only from financial institutions and on a temporary basis. Each Sub-Fund may, however, acquire foreign currency by means of a back to back loan. Each Sub-Fund will not purchase securities while borrowings are outstanding in relation to it, except to fulfil prior commitments and/or exercise subscription rights. However, each Sub-Fund can borrow up to 10% of its net assets to make possible the acquisition of immovable property essential for the direct pursuit of its business. In this case, these borrowings and those referred to above (temporary borrowings) may not in any case in total exceed 15% of the Sub-Funds' net assets.

(E) The Fund may not grant credits or act as guarantor for third parties. This limitation does not prevent the Fund to purchase securities that are not fully paid up, nor to lend securities as further described hereunder. This



limitation does not apply to margin payments on option deals and other similar transactions made in conformity with established market practices.

(F) Each Sub-Fund will not purchase any securities on margin (except that the Sub-Fund may obtain such short-term credit as may be necessary for the clearance of purchases and sales of securities) or make short sales of securities or maintain a short position. Deposits on other accounts in connection with option, forward or financial futures contracts, are, however, permitted within the limits provided for here below.

The Board of Directors is authorised to introduce further investment restrictions at any time in the interests of the shareholders provided these are necessary to ensure compliance with the laws and regulations of those countries in which the Fund's Shares are offered and sold. In this event, this Prospectus will be updated.

**(G) If any of the above limitations are exceeded for reasons beyond the control of the Fund and/or each Sub-Fund or as a result of the exercise of subscription rights attaching to transferable securities or money market instruments, the Fund and/or each Sub-Fund must adopt, as a priority objective, sales transactions for the remedying of that situation, taking due account of the interests of its shareholders.**

Risk Warning:

The Fund must not neglect the following risks/terms that are linked to the investment in units of other open-ended and closed-ended undertakings for collective investment:

- Due to possible legal, contractual or juridical constraints, the possibility exists that the investments in other open-ended and closed-ended undertakings for collective investment may only be sold with difficulty.
- In relation to the investment in other open-ended and closed-ended undertakings for collective investment, the Fund must bear the usual commissions relating to the units of these undertakings.

The Fund is authorized to introduce further investment restrictions at any time in the interests of the shareholders provided these are necessary to ensure compliance with the laws and regulations of those countries in which the Fund's Shares are offered and sold. In this case the sales prospectus will be updated.

**(5) Special techniques and instruments relating to transferable securities**

The Fund may, for each Sub-Fund, employ the following techniques and instruments for each Sub-Fund provided these are employed in the interests of an orderly management of the net assets of the relevant Sub-Funds and/or to protect the assets and commitments of the relevant Sub-Funds.

In addition to the use of derivatives as set forth in Section (1), point (A), paragraph g) above, the Fund may employ the following techniques and instruments for each Sub-Fund provided these are employed in the interests of an orderly management of the assets of the respective Sub-Fund.

The Fund must ensure that the overall risk associated with derivatives does not exceed net assets. The following are taken into account in computing risk: the market value of the underlying instruments, the risk of default, future foreseeable market developments and the period within which the positions are to be liquidated. This also applies to the following two points:

- In the case of investments in derivatives that fall within the limits set forth below, the overall risk for the underlying instruments may not exceed the investment limits set forth under chapter (2) above. Investments in index-based derivatives need not be taken into account in the case of the investment limits set forth under chapter (2) above.

- If a derivative has a security or money market instrument as the underlying, it has to be taken into account with regard to compliance with the rules set forth under Chapter 4.

## **5.1 Special techniques and instruments that have securities and money market instruments as underlying assets**

The Fund is entitled to employ techniques and instruments which feature securities and money market instruments, provided such techniques and instruments are used in the interests of efficient portfolio management subject to the conditions and limits defined by the CSSF. If such transactions relate to the use of derivatives, the terms and limits must comply with the provisions of the Luxembourg Law of 2010. The use of these techniques and instruments must be in accordance with the best interests of the investors.

The Fund may under no circumstances deviate from its investment objectives for these transactions.

Equally, the use of these techniques may not cause the risk level of the Sub-Fund in question to increase significantly with regard to its original risk level (*i.e.* without the use of these techniques).

The risks inherent to the use of these techniques are essentially comparable to the risks associated with the use of derivatives (in particular, counterparty risk). The Fund ensures that it or its appointed service providers will monitor and manage the risks incurred through the use of these techniques, particularly counterparty risk, as part of the risk management procedure. The monitoring of potential conflicts of interest arising from transactions with companies associated with the Fund is primarily carried out through reviewing contracts and corresponding processes on a regular basis.

The Company also ensures that, at any time, it can cancel any contract entered into within the framework of the use of the techniques and instruments for the efficient management of the portfolio and that the securities and/or liquid funds to the respective counterparty can be reclaimed by the Company. In addition, the liquid funds should include the interest incurred up to the time of being reclaimed.

Furthermore, the Company ensures that, despite the use of these techniques and instruments, the investors' redemption applications can be processed at any time.

Within the framework of the use of techniques and instruments for the efficient management of the portfolio, the Fund may also lend portions of its securities portfolio to third parties ("**securities lending**"). In general, securities lending may be effected only via recognised clearing houses such as Clearstream International or Euroclear, or using first-class financial institutions that specialize in such activities and following the procedure specified by them.

In the case of securities lending transactions, the Fund must, in principle, receive collateral, the value of which must at least correspond to the total value of the securities lent out and any accrued interest thereon. This collateral must be issued in a form of financial collateral as permitted by the provisions of Luxembourg law. Such collateral is not required if the transaction is effected via Clearstream International or Euroclear, or another organisation which guarantees the Fund that the value of the securities lent will be refunded.

The provisions of the section entitled "Collateral management" shall apply accordingly to the management of collateral that was left to the Fund within the scope of securities lending.

Service providers that provide services to the Fund in the field of securities lending have the right to receive a fee in return for their services that is line with the market standards. The amount of this fee is reviewed and adapted, where appropriate, by an independent body on an annual basis. The recipients of these and other direct and indirect fees, the amounts of the respective fees, as well as the findings as to whether the fee recipients are

associated with the Fund and/or Depositary can be found in the respective annual or semi-annual report.

Furthermore, the Fund has drawn up internal framework agreements regarding securities lending. These framework agreements contain, among other things, the relevant definitions, the description of the principles and standards of the contractual management of the securities lending transaction, the quality of the collateral, the approved counterparties, the risk management, the fees to be paid to third parties and fees to be received by the Fund, as well as the information to be published in the annual and semi-annual reports.

The risks linked to the use of securities lending as well as risks linked to collateral management, such as operational, liquidity, counterparty, custody and legal risks and, where applicable, the risks arising from its reuse are further described in Chapter 21 “General Risk Factors”.

#### 5.1.1. Financial futures, swaps and options on financial instruments

With the exception of swap transactions and over-the-counter contracts used to hedge interest rate risks, futures and options on financial instruments are restricted to contracts traded on a regulated market. Over-the-counter options and swap transactions may only be concluded if the counterparties are first-class financial institutions which specialize in transactions of this kind.

##### a) Hedging of market risks

In order to hedge against an unfavourable stock market development, the Fund may, for each Sub-Fund, sell futures and call options on a stock index or buy put options on a stock index. As these call and put transactions are for hedging purposes, there must be a sufficient correlation between the structure of the securities portfolio to be hedged and the composition of the stock index employed. The resulting obligations must not exceed the market value of the securities to be hedged.

##### b) Hedging of interest rate risks

The Fund may, for each Sub-Fund, sell interest rate futures and call options on interest rates, or buy put options on interest rates, as well as enter into interest rate swap contracts, forward rate agreements on interest rates and swaptions in the open market with first-class financial institutions that specialize in transactions of this kind. The sum of the resulting obligations must not exceed the value of the assets to be hedged in the currency of the corresponding contracts.

##### c) Transactions aimed at ensuring efficient portfolio management.

In addition to options on securities and foreign exchange contracts, the Fund may buy and sell on behalf of each Sub-Fund futures and options on all categories of financial instruments as well as on options on securities provided that the resulting obligations, together with the obligations arising from swap transactions and the sale of call and put options on securities, do not exceed the net assets of the Sub-Fund in question. The Fund can also enter into swap transactions, provided that the counterparties are first-class financial institutions that specialize in transactions of this kind.

Sales of call options on securities which are adequately hedged shall not be included in this calculation.

In this connection, the obligations arising from transactions not involving options on securities shall be defined as follows:

- the obligations from futures contracts correspond to the market value of the net contract positions (after offsetting buying and selling contracts) in identical financial instruments, without taking the respective maturities into consideration, and

- the obligations from options purchased and written correspond to the sum of the exercise prices of those options forming the net selling positions and relating to the same underlying asset, without taking into account the respective maturities.

Furthermore, the Fund can also, on an ancillary basis, enter into swap transactions except interest-rate and foreign-exchange swaps. The counterparties must be first-class financial institutions which specialize in such transactions. Such swap transactions may not, however, be used at any time to change the Fund's investment policy.

#### 5.1.2 Securities lending

Each Sub-Fund may enter into securities lending transactions subject to the following conditions:

- Each Sub-Fund may lend securities through a standardized lending system organised by a recognized clearing institution or through a financial institution that are subject to prudential supervision rules considered by the Regulatory Authority as equivalent to those prescribed by EU law and specialised in this type of transactions. The counterparty must be a credit institution from an OECD member state subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by EU law, be of good reputation and have a minimum rating of BBB;
- In case the aforementioned financial institution acts on its own account, it is to be considered as counterparty in the securities lending agreement.
- As the Sub-Funds are open-ended, each Sub-Fund must be in a position to terminate outstanding loans and to recall securities lent out at all times. Should this not be the case, each Sub-Fund must ensure that securities lending transactions will be maintained at a level such that it is, at all times, able to meet its obligations to redeem Shares.
- Each Sub-Fund must receive, previously or simultaneously to the transfer of securities lent, a guarantee which complies with the requirements expressed under Section 5.5 here below. At maturity of the securities lending transaction, the guarantee will be remitted simultaneously or subsequently to the restitution of the securities lent.
- The securities will be safe-kept with the Depositary or its delegate.
- All revenues arising from securities lending transactions, net of direct and indirect operational costs and fees, will be returned to the each Sub-Fund. Nevertheless, agents and other intermediaries of each Sub-Fund providing services in connection with securities lending transactions may be remunerated through fees that are expressed as a percentage of gross revenues earned by each Sub-Fund through the use of such technique.
- As a result of the above, 60% of all gross revenues arising from securities lending transactions will be returned to the each Sub-Fund whereas 40% are assigned to the agent for securities lending, unless otherwise specified in Chapter 1 "Sub-Funds Particulars" in the relevant Sub-Fund.
- Information on direct and indirect operational costs and fees that may be incurred in this respect as well as the identity of the entities to which such costs and fees are paid – as well as any relationship they may have with the Depositary or investment manager – will be available in the annual report of the Fund.

#### 5.1.3 Collateral management

This section sets out the policy adopted by the Board of Directors for the management of collateral received for the benefit of each Sub-Fund in the context of OTC financial derivatives instruments and efficient portfolio

management techniques (ex: securities lending transactions). All cash or assets received by a Sub-Fund in the context of efficient portfolio management techniques will be considered as collateral for the purposes of this section. Such collateral will be safe-kept with the Depositary or its delegate.

The Fund shall ensure that the collateral transferred to it is adequately diversified, particularly regarding geographic dispersal, diversification across different markets and diversification of the concentration risk. The latter is considered to be sufficiently diversified if securities and money market instruments held as collateral and issued by a single issuer do not exceed 20% of the Fund's net assets.

Collateral that is deposited in the form of cash may be invested by the Fund. Investments may only be made in: sight deposits or deposits at notice in accordance with above section "Investment Instruments"; high-quality government bonds; short-term money-market instruments within the meaning of ESMA guidelines regarding European money-market instruments. The restrictions listed in the previous paragraph also apply to the diversification of the concentration risk.

#### 5.1.3.1. Collateral Valuation –

Collateral will be valued, on a daily basis, using available market prices and taking into account appropriate discounts which will be determined for each asset class based on the haircut policy adopted by the Board of Directors. The policy takes into account a variety of factors, depending on the nature of the collateral received, such as the issuer's credit standing, the maturity, currency, price volatility of the assets and, where applicable, the outcome of liquidity stress tests carried out under normal and exceptional liquidity conditions.

#### 5.1.3.2. Collateral management for Securities lending

As part of securities lending transactions, each Sub-Fund must receive collateral, the value of which must be at least equal to the aggregate of the value of securities lent and of the counterparties' risk exposure.

Such collateral will be safe-kept with the Depositary or its delegate.

The collateral must be blocked in favour of the Fund and must be given in the form of either:

- (a) Cash, other acceptable forms of liquid assets and money market instruments, or
- (b) bonds issued and/or guaranteed by a member State of the OECD or by their local public authorities or by supranational institutions and undertakings of a community, regional or worldwide nature, or
- (c) bonds issued or guaranteed by first-class issuers offering an adequate liquidity (limited at 20% of an issue), or
- (d) equities admitted to official listing or negotiated on a regulated market of a Member State, Switzerland, Canada, Japan, Australia, New Zealand or the United States and which are included in a main index with a concentration limit at 3 times the daily turnover (average daily turnover of the last 90 days).

Collateral may not consist of the counterparty equities or debt instruments.

Bonds with long term rating lower than BBB- (Moody's) or Baa3 (S&P) or money market instrument with a rating lower than A-1/P-1, share or units of other money market UCIs and shares or units of other UCITS will not be admitted.

The following haircuts apply to collateral for securities lending transactions: The aggregate market value of the collateral equal no less than 105% of the aggregate value of securities lent. The calculation and adjustment of

the collateral is done minimum on a daily basis.

- An haircut of 5% (in addition to the 105% threshold) is applied for equities, admitted to official listing or negotiated on a regulated market of a Member State, Switzerland, Canada, Japan, Australia, New Zealand or the United States and which are included in a main index.
- No haircut (in addition to the 105% threshold) is applied for cash, money market instruments with a minimum rating of A-1/P-1 and long term rating of at least BBB- (Moody's) or Baa3 (S&P) government and corporate bonds.

#### 5.1.3.3. Collateral management for OTC derivative transactions

If the Fund enters into OTC transactions, it may be exposed to risks related to the creditworthiness of the OTC counterparties: when the Fund enters into futures contracts or options or uses other derivative techniques it is subject to the risk that an OTC counterparty may not meet (or can not meet) its obligations under a specific or multiple contracts. Counterparty risk can be reduced by depositing a security (collateral).

Collateral may be provided in the form of liquid assets in highly liquid currencies, highly liquid equities and first-rate government bonds. The Fund will only accept such financial instruments as collateral that would allow it (after objective and appropriate valuation) to liquidate these within an appropriate time period. The Fund, or a service provider appointed by the Fund, must assess the collateral's value at least once a day. The collateral's value must be higher than the value of the position of the respective OTC counterparty. However, this value may fluctuate between two consecutive valuations. After each valuation, however, it is ensured (where appropriate, by requesting additional collateral) that the collateral is increased by the desired amount to meet the value of the respective OTC counterparty's position (mark-to-market). In order to adequately take into account the risks related to the collateral in question, the Fund determines whether the value of the collateral to be requested should be increased, or whether this value should be depreciated by an appropriate, conservatively measured amount (haircut). The larger the collateral's value may fluctuate, the higher the markdown. The markdown is highest for equities. Securities deposited as collateral may not have been issued by the corresponding OTC counterparty or have a high correlation with this OTC counterparty. For this reason, shares from the finance sector are not accepted as collateral. Securities deposited as collateral are held by the Depositary in favour of the Fund and may not be sold, invested or pledged by the Fund.

If the Fund owes a security pursuant to an applicable agreement, such security shall be held in custody by the Depositary in favour of the Fund. Bankruptcy and insolvency events or other credit events with the Depositary or within its sub-custodian/correspondent bank network may result in the rights of the Fund in connection with the security to be delayed or restricted in other ways. If the Fund is owed a security pursuant to an applicable agreement, then any such security is to be transferred to the OTC counterparty as agreed between the Fund and the OTC counterparty. Bankruptcy and insolvency events or other credit events with the OTC counterparty, the Depositary or within its sub-custodian/correspondent bank network may result in the rights or recognition of the Fund in connection with the security to be delayed, restricted or even eliminated, which would go so far as to force the Fund to fulfil its obligations in the framework of the OTC transaction, in spite of any security that had previously been made available to cover any such obligation. The Board of Directors of the Fund shall decide on an internal framework agreement that determines the details of the above-mentioned requirements and values, particularly regarding the types of collateral accepted the amounts to be added to and subtracted from the respective collateral, as well as the investment policy for liquid funds that are deposited as collateral. This framework agreement is reviewed and adapted where appropriate by the Board on a regular basis.

The maximum counterparty risk of the SICAV related to OTC transactions may not exceed 10% of its assets when the counterparty is a credit institution referred to in Chapter 20 Section (1) point (A) f), or 5% of its assets in the other cases.

Until any of the two above thresholds is not exceeded, OTC transactions are not collateralized.

In case any of the two above thresholds is to be exceeded, the haircut policy applied to the securities lending as mentioned above will apply to the OTC transactions as well.

#### 5.1.4. Techniques and instruments for hedging currency risks

In order to hedge the Fund against currency risks, the Fund may, for each Sub-Fund, sell currency futures contracts and currency call options or buy currency put options provided they are traded on a stock exchange or on another regulated market, or over the counter on the open market.

Currency futures and swaps may be executed by the Fund in the open market with prime financial institutions specializing in this kind of transaction.

In case a certain currency is not sufficiently correlated with other currencies in the same Sub-Fund, transactions concluded in this currency should neither exceed the value of the Sub-Fund's assets that are denominated in this currency nor the holding period or residual maturity of these assets. If there is a sufficient correlation, the currency risk can also be hedged by selling a currency with which the currency in which the assets are denominated is closely correlated. Such a course of action may be preferable if it is more cost-effective for the Fund and/or if the transactions in the correlating currency are easier to make on the market. In this case the volume of these transactions in a specific currency may not exceed the total value of this Sub-Fund in all currencies which closely correlate to the currency concerned, and the maturities of these transactions may not exceed the duration of the Sub-Fund.

## CHAPTER 21. GENERAL RISK FACTORS

The performance of the Shares depends on the performance of the investments of the Sub-Fund, which may increase or decrease in value. The past performance of the Shares is not an assurance or guarantee of future performance. The value of the Shares at any time could be significantly lower than the initial investment and investors may lose a portion or even the entire amount originally invested.

Investment objectives express an intended result only. Unless otherwise specified in Chapter 1 “Sub-Funds Particulars” in the relevant Sub-Fund, the Shares do not include any element of capital protection and the Fund gives no assurance or guarantee to any investors as to the performance of the Shares. Depending on market conditions and a variety of other factors outside the control of the Fund, investment objectives may become more difficult or even impossible to achieve. The Fund gives no assurance or guarantee to any investors as to as to the likelihood of achieving the investment objective of a Sub-Fund.

An investment in the Shares is only suitable for investors who have sufficient knowledge, experience and/or access to professional advisors to make their own financial, legal, tax and accounting evaluation of the risks of an investment in the Shares and who have sufficient resources to be able to bear any losses that may result from an investment in the Shares. Investors should consider their own personal circumstances and seek additional advice from their financial adviser or other professional adviser as to possible financial, legal, tax and accounting consequences which they might encounter under the laws of the countries of their citizenship, residence, or domicile and which might be relevant to the subscription, purchase, holding, redemption, conversion or disposal of the Shares of the Fund.

Investors should also carefully consider all of the information set out in this Prospectus and the “Sub-Funds Particulars” of the Sub-Fund before making an investment decision with respect to Shares of any Sub-Fund or Share Class. The following sections are of general nature and describe certain risks that are generally relevant to an investment in Shares of any Sub-Fund or Share Class. Other risks may be described in the “Sub-Funds Particulars”. This section and the “Sub-Funds Particulars” do not purport to be a complete explanation of all risks involved in an investment in the Shares of any Sub-Fund or Share Class and other risks may also be or become relevant from time to time.

### 21.1 Market risk

Market risk is understood as the risk of loss for a Sub-Fund resulting from fluctuation in the market value of positions in its portfolio attributable to changes in market variables, such as general economic conditions, interest rates, foreign exchange rates, or the creditworthiness of the issuer of a financial instrument. This is a general risk that applies to all investments, meaning that the value of a particular investment may go down as well as up in response to changes in market variables. Although it is intended that each Sub-Fund will be diversified with a view to reducing market risk, the investments of a Sub-Fund will remain subject to fluctuations in market variables and the risks inherent in investing in financial markets.

### 21.2 Liquidity risk

Liquidity refers to the speed and ease with which investments can be sold or liquidated or a position closed. On the asset side, liquidity risk refers to the inability of a Sub-Fund to dispose of investments at a price equal or close to their estimated value within a reasonable period of time. On the liability side, liquidity risk refers to the inability of a Sub-Fund to raise sufficient cash to meet a redemption request due to its inability to dispose of investments. In principle, each Sub-Fund will only make investments for which a liquid market exists or which can otherwise be sold, liquidated or closed at any time within a reasonable period of time. However, in certain



circumstances, investments may become less liquid or illiquid due to a variety of factors including adverse conditions affecting a particular issuer, counterparty, or the market generally, and legal, regulatory or contractual restrictions on the sale of certain instruments. In addition, a Sub-Fund may invest in financial instruments traded over-the-counter or OTC, which generally tend to be less liquid than instruments that are listed and traded on exchanges. Market quotations for less liquid or illiquid instruments may be more volatile than for liquid instruments and/or subject to larger spreads between bid and ask prices. Difficulties in disposing of investments may result in a loss for a Sub-Fund and/or compromise the ability of the Sub-Fund to meet a redemption request.

### **21.3 Counterparty risk**

Counterparty risk refers to the risk of loss for a Sub-Fund resulting from the fact that the counterparty to a transaction entered into by the Sub-Fund may default on its contractual obligations. There can be no assurance that an issuer or counterparty will not be subject to credit or other difficulties leading to a default on its contractual obligations and the loss of all or part of the amounts due to the Sub-Fund. This risk may arise at any time the assets of a Sub-Fund are deposited, extended, committed, invested or otherwise exposed through actual or implied contractual agreements. For instance, counterparty risk may arise when a Sub-Fund has deposited cash with a financial institution, invests into debt securities and other fixed income instruments, enters into OTC financial derivative instruments, or enters into securities lending agreements.

### **21.4 Operational risk**

Operational risk means the risk of loss for the Fund resulting from inadequate internal processes and failures in relation to people and systems of the Fund, the Management Company and/or its agents and service providers, or from external events, and includes legal and documentation risk and risk resulting from the trading, settlement and valuation procedures operated on behalf of the Fund.

#### **21.4.1 Valuation**

Certain Sub-Funds may hold investments for which market prices or quotations are not available or representative, or which are not quoted, listed or traded on an exchange or regulated market. In addition, in certain circumstances, investments may become less liquid or illiquid. Such investments will be valued at their probable realisation value estimated with care and in good faith by the Board of Directors using any valuation method approved by the Board of Directors. Such investments are inherently difficult to value and are the subject of substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales or liquidation prices of investments.

#### **21.4.2 Laws and regulations**

The Fund may be subject to a number of legal and regulatory risks, including contradictory interpretations or applications of laws, incomplete, unclear and changing laws, restrictions on general public access to regulations, practices and customs, ignorance or breaches of laws on the part of counterparties and other market participants, incomplete or incorrect transaction documents, lack of established or effective avenues for legal redress, inadequate investor protection, or lack of enforcement of existing laws. Difficulties in asserting, protecting and enforcing rights may have a material adverse effect on the Sub-Funds and their operations.

#### **21.4.3 Segregation of Sub-Funds**

The Fund is a single legal entity incorporated as an “umbrella fund” comprised of separate Sub-Funds. Under Luxembourg law, each Sub-Fund represents a segregated pool of assets and liabilities. By operation of the law, the rights and claims of creditors and counterparties of the Fund arising in respect of the creation, operation or liquidation of a Sub-Fund will be limited to the assets allocated to that Sub-Fund. However, while these provisions

are binding in a Luxembourg court, these provisions have not been tested in other jurisdictions, and a creditor or counterparty might seek to attach or seize assets of a Sub-Fund in satisfaction of an obligation owed in relation to another Sub-Fund in a jurisdiction which would not recognise the principle of segregation of liability between Sub-Funds. Moreover, under Luxembourg law, there is no legal segregation of assets and liabilities between Share Classes of the same Sub-Fund. In the event that, for any reason, assets allocated to a Share Class become insufficient to pay for the liabilities allocated to that Share Class, the assets allocated to other Share Classes of the Sub-Fund will be used to pay for those liabilities. As a result, the Net Asset Value of the other Share Classes may also be reduced.

## **21.5 Certain financial instruments and investment techniques**

### **21.5.1 Financial derivative instruments**

#### **a) Financial derivative instruments in general**

An investment in derivatives may involve additional risks for investors. These additional risks may arise as a result of any or all of the following: (i) leverage factors associated with transactions in the Sub-Fund; and/or (ii) the creditworthiness of the counterparties to such derivative transactions; and/or (iii) the potential illiquidity of the markets for derivative instruments. To the extent that derivative instruments are utilised for speculative purposes, the overall risk of loss to the Sub-Fund may be increased. To the extent that derivative instruments are utilised for hedging purposes, the risk of loss to the Sub-Fund may be increased where the value of the derivative instrument and the value of the security or position which it is hedging are insufficiently correlated. However, where a derivative transaction is entered into by the Sub-Fund in respect of a specific Share Class, any losses sustained in respect of such transaction will be internally attributed by the Administrative Agent to the relevant Share Class. Certain derivatives may require collateral to be transferred to another party and where additional collateral is called by such other party the investment manager may be required to realise assets comprised in a Sub-Fund which it would not have sought to realise had there not been a requirement to transfer or pledge additional collateral.

#### **b) OTC financial derivative instruments**

In general, there is less government regulation and supervision of transactions in OTC markets than of transactions entered into on organised exchanges. OTC derivatives are executed directly with the counterparty rather than through a recognised exchange and clearing house. Counterparties to OTC derivatives are not afforded the same protections as may apply to those trading on recognised exchanges, such as the performance guarantee of a clearing house.

The principal risk when engaging in OTC financial derivative instruments (such as non-exchange traded options, forwards, swaps or contracts for difference) is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations as required by the terms of the instrument. OTC derivatives may expose a Sub-Fund to the risk that the counterparty will not settle a transaction in accordance with its terms, or will delay the settlement of the transaction, because of a dispute over the terms of the contract (whether or not bona fide) or because of the insolvency, bankruptcy or other credit or liquidity problems of the counterparty. Counterparty risk is generally mitigated by the transfer or pledge of collateral in favour of the Sub-Fund.

Investments in OTC derivatives may be subject to the risk of differing valuations arising out of different permitted valuation methods. Although the Fund has implemented appropriate valuation procedures to determine and verify the value of OTC derivatives, certain transactions are complex and valuation may only be provided by a limited number of market participants who may also be acting as the counterparty to the transactions. Inaccurate valuation can result in inaccurate recognition of gains or losses and counterparty exposure.

Unlike exchange-traded derivatives, which are standardised with respect to their terms and conditions, OTC derivatives are generally established through negotiation with the other party to the instrument. While this type of arrangement allows greater flexibility to tailor the instrument to the needs of the parties, OTC derivatives may involve greater legal risk than exchange-traded instruments, as there may be a risk of loss if the agreement is deemed not to be legally enforceable or not documented correctly. There also may be a legal or documentation risk that the parties may disagree as to the proper interpretation of the terms of the agreement. However, these risks are generally mitigated, to a certain extent, by the use of industry-standard agreements such as those published by the International Swaps and Derivatives Association (ISDA).

#### **21.5.2 Securities lending transactions**

Securities lending transactions involve certain risks and there can be no assurance that the objective sought to be obtained from the use of such techniques will be achieved.

The principal risk when engaging in securities lending transactions is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations to return securities to the Sub-Fund as required by the terms of the transaction. Counterparty risk is generally mitigated by the transfer or pledge of collateral in favour of the Sub-Fund. However, there are certain risks associated with collateral management, including difficulties in selling collateral and/or losses incurred upon realization of collateral, as described below.

Securities lending transactions also entail liquidity risks due, inter alia, to locking cash or securities positions in transactions of excessive size or duration relative to the liquidity profile of the Sub-Fund or delays in recovering securities lent to the counterparty. These circumstances may delay or restrict the ability of the Fund to meet redemption requests.

The Sub-Fund may also incur operational risks such as, inter alia, non-settlement or delay in settlement of instructions, failure or delays in satisfying delivery obligations under sales of securities, and legal risks related to the documentation used in respect of such transactions.

The Sub-Funds may enter into securities lending transactions with other companies in the same group of companies as the investment manager. Affiliated counterparties, if any, will perform their obligations under any securities lending transactions concluded with a Sub-Fund in a commercially reasonable manner. In addition, the investment manager will select counterparties and enter into transactions in accordance with best execution principles. However, investors should be aware that the investment manager may face conflicts between its role and its own interests or that of affiliated counterparties.

#### **21.5.3 Collateral management**

Counterparty risk arising from investments in OTC financial derivative instruments and securities lending agreements is generally mitigated by the transfer or pledge of collateral in favour of the Sub-Fund. However, transactions may not be fully collateralised. Fees and returns due to the Sub-Fund may not be collateralised. If counterparty defaults, the Sub-Fund may need to sell non-cash collateral received at prevailing market prices. In such a case the Sub-Fund could realise a loss due, inter alia, to inaccurate pricing or monitoring of the collateral, adverse market movements, deterioration in the credit rating of issuers of the collateral or illiquidity of the market on which the collateral is traded. Difficulties in selling collateral may delay or restrict the ability of the Sub-Fund to meet redemption requests.

A Sub-Fund may also incur a loss in reinvesting cash collateral received, where permitted. Such a loss may arise due to a decline in the value of the investments made. A decline in the value of such investments would reduce the amount of collateral available to be returned by the Sub-Fund to the counterparty as required by the terms

of the transaction. The Sub-Fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the Sub-Fund.