

# **Red Arc Global Investments (Luxembourg) SICAV**

*Société d'investissement à capital variable*

Luxembourg

## **Prospectus**

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L'apposition du visa ne peut en aucun cas servir  
d'argument de publicité

Luxembourg, le 2015-12-29

Commission de Surveillance du Secteur Financier



# **Red Arc Global Investments (Luxembourg) SICAV**

*Société d'investissement à capital variable*

**Registered Office: 31, Z.A. Bourmicht**

**L-8070 Bertrange**

**Grand Duchy of Luxembourg**

**R.C.S. Luxembourg: B 181.888**

## **OFFER FOR SHARES**

Subject to the content of the following 'Important Information' section, this is an offer to subscribe for Shares without par value issued in Red Arc Global Investments (Luxembourg) SICAV, each Share being linked to one of the Sub-Funds of the Company.

Each Sub-Fund offers different Classes of Shares, as further described below in section 19 and the relevant Annex to Appendix E. The members of the Board of Directors of the Company may decide to create further Classes of Shares and/or Sub-Funds with different characteristics, and provide for conversion of Classes and/or Sub-Funds, in which case this Prospectus will be updated accordingly.

On the Initial Subscription Day, or during any extended period determined by the Board of Directors, Shares in each Sub-Fund will be offered at an Initial Price as specified for each Sub-Fund in the relevant Annex to Appendix E. The Initial Price might be subject to the commissions detailed in this Prospectus.

The Initial Subscription Day of a Sub-Fund shall take place on the Launch Date as specified for each Sub-Fund in the relevant Annex to Appendix E. If no subscriptions are accepted on the Launch Date, the Initial Subscription Day will be the next following Valuation Day on which the first subscriptions for the relevant Sub-Fund will have been accepted at the Initial Price.

The Reference Currency of each Sub-Fund is the currency in which each Sub-Fund is denominated. The Share Class Currency of each Class is the currency in which each Class is denominated. Unless otherwise provided in the relevant Annex to Appendix E, the Share Class Currency of each Class of each Sub-Fund is the same as the Reference Currency. The Consolidated Currency of the Company is the Euro.

Please note that all times specified in this prospectus (the "**Prospectus**") refer to Luxembourg time (i.e. CET or CEST as appropriate).

## IMPORTANT INFORMATION

**If you are in any doubt about the contents of this Prospectus, you should consult your stockbroker, solicitor, accountant or other financial advisor. No person is authorized to give any information other than that contained in this Prospectus or any of the documents referred to herein that are available for public inspection at the registered office of the Company.**

The Company is registered in the Grand Duchy of Luxembourg as an undertaking for collective investment in transferable securities or a "UCITS" with multiple compartments pursuant to Part I of the Luxembourg law of 17 December 2010 on undertakings for collective investment (the UCI Law) and the Directive 2009/65/EC of the European Union Parliament and of the Council of 13 July 2009 (the UCITS Directive). However, such registration does not imply a positive assessment by the Luxembourg Financial Supervisory Authority (the "*Commission de Surveillance du Secteur Financier*" or CSSF) of the contents of this Prospectus or of the quality of the Shares offered for sale. Any representation to the contrary is unauthorized and unlawful.

**Neither Citigroup Global Markets Limited nor any of its affiliates, sponsors, guarantees, assumes or otherwise insures the obligations or performance of the Company or any underlying investment of the Company.**

The Company has appointed the Management Company as its designated management company in accordance with Part I of the UCI Law, as further detailed below.

Any information given by any person not mentioned in this Prospectus should be regarded as unauthorized. The information contained in this Prospectus is considered to be accurate at the date of its publication. To reflect material changes, this Prospectus will be updated from time to time and Investors should enquire of the Company as to the issue of any later Prospectus.

This Prospectus does not constitute an offer to anyone or solicitation by anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is unlawful or not authorised or in which the person making such an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or invitation.

The distribution of this Prospectus and the offering of the Shares may be restricted in certain jurisdictions. It is the responsibility of any person in possession of this Prospectus and any person wishing to subscribe for Shares pursuant to this Prospectus to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdictions. Investors should inform themselves as to the possible tax consequences, the legal and regulatory requirements, any foreign exchange restrictions or exchange control requirements and any other requisite governmental or other consents or formalities 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 or sale of Shares.

In particular the Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or the securities laws of any state or political subdivision of the United States and may not, except in a transaction which does not violate US securities laws, be directly or indirectly offered or sold in the United States. Accordingly, the Shares may not be sold or otherwise transferred to a US Person. The

Company will not be registered under the United States Investment Company Act of 1940 (as amended).

In addition, the Company qualifies as a "restricted fund" for the purposes of FATCA. Accordingly, the Shares may not be sold or otherwise transferred to a FATCA Prohibited Investor.

There are restrictions on the holding of Shares by (and consequently the redemption of Shares held by), or the transfer of Shares to, any US Persons or by any person who does not clear money laundering checks or by any person who appears to be in breach of any law or requirement of any country or government authority or by virtue of which such person is not qualified to hold such Shares or by any person or persons in circumstances (whether directly or indirectly affecting such person or persons, and whether taken alone or in conjunction with any other person or persons, connected or not, or any other circumstances appearing to the Board of Directors to be relevant) which, in the opinion of the Board of Directors, might result in the Company incurring any liability to taxation or suffering any other pecuniary legal or material administrative disadvantages or being in breach of any law or regulation which the Company might not otherwise have incurred, suffered or breached.

This Prospectus may be translated into other languages. Any such translation shall only contain the same information and have the same meanings as the English language document. To the extent that there is any inconsistency between the English language document and the document in another language, the English language document shall prevail except to the extent (but only to the extent) required by the laws of any jurisdiction where the Shares are sold so that, where required by such laws, in an action based upon disclosure in a document of a language other than English, the language of the document on which such action is based shall prevail, but only to that extent.

The Company also publishes key investor information documents (KIIDs) that includes the information necessary for Investors and Shareholders to make an informed judgment of the investment proposed to them and, in particular, the risks attached thereto.

Subscriptions for Shares can be accepted only on the basis of the current Prospectus and the relevant KIIDs. The Company will produce an Annual Report containing the audited accounts and an un-audited Semi-Annual Report. Following the publication of the first of either report, the current Prospectus at that date must be read in conjunction with such Annual Report or Semi-annual Report. The latest versions of these reports and other fund documents will be available on the website: [www.funds.citi.com](http://www.funds.citi.com) where they may be consulted by Investors. A paper copy of these documents may also be obtained by Investors upon their request and free of charge.

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

The value of and distributions from Shares in the Company may go up or down and you may not get back the amount you have invested in the Shares. Details of the Shares issued in respect of any Sub-Fund are set out in the relevant Annex to Appendix E relating to such Shares which will, in relation to the relevant Shares, form part of this Prospectus. There can be no assurance that the Company will achieve its investment objectives in respect of any Sub-Fund and an investment in the Shares involves certain risks. See section 16 of this Prospectus headed "Risk Factors" and, where applicable, the section of the relevant Annex to Appendix E headed "Risk Factors" for a discussion of certain risks that you should consider.

An investment in the Shares is only suitable for you if you (either alone or with the help of an appropriate financial or other adviser) are able to assess the merits and risks of such an investment and have sufficient resources to be able to bear any losses that may result from such an investment. The contents of this Prospectus are not intended to contain and should not be regarded as containing advice relating to legal, taxation, investment or any other matters.

## GENERAL NOTICE TO INVESTORS

The distribution of this Prospectus and the offering of the Shares may be authorised or restricted in certain other jurisdictions. The information below is for general guidance only and it is the responsibility of any persons in possession of this Prospectus and of any persons wishing to make application for Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdictions.

## NOTICE TO INVESTORS IN ARGENTINA

*Esta es una oferta privada y confidencial de valores emitidas por Red Arc Global Investments (Luxembourg) SICAV.*

*La información, los servicios y/o los productos ofrecidos en este documento están expresa y únicamente destinados a Ud. y no tiene ninguna pretensión de ser extendido al público en general, estando absolutamente prohibido circularlo, retransmitirlo o compartirlo con tercero alguno. No se ha solicitado ni se solicitará autorización alguna a ninguna autoridad regulatoria local con referencia a la oferta pública de los servicios y productos ofrecidos en este documento.*

This is a confidential private offer of shares issued by the Company.

The information, services and/or products offered herein are expressly and only intended for you and has not been intended to the public in general, being absolutely forbidden to circulate it, retransmit it or share it with any third party. It has not been requested nor shall be asked any authorization to any local regulatory agency with reference to the public offering of the services and products offered herein.

## NOTICE TO INVESTORS IN AUSTRALIA

This Prospectus is not a prospectus or product disclosure statement under the Corporations Act 2001 (Cth) (the "**Corporations Act**") and does not constitute a recommendation to acquire, an invitation to apply for, an offer to apply for or buy, an offer to arrange the issue or sale of, or an offer for issue or sale of, any securities in Australia except as set out below. The Company has not authorised nor taken any action to prepare or lodge with the

Australian Securities & Investments Commission an Australian law compliant prospectus or product disclosure statement.

Accordingly, this Prospectus may not be issued or distributed in Australia and the Shares may not be offered, issued, sold or distributed in Australia by the Management Company, or any other person, under this Prospectus other than by way of or pursuant to an offer or invitation that does not need disclosure to investors under Part 6D.2 or Part 7.9 of the Corporations Act or otherwise.

This Prospectus does not constitute or involve a recommendation to acquire, an offer or invitation for issue or sale, an offer or invitation to arrange the issue or sale, or an issue or sale, of shares to a 'retail client' (as defined in section 761G of the Corporations Act and applicable regulations) in Australia.

#### NOTICE TO INVESTORS IN BRAZIL

This is a confidential private offer of shares issued by Red Arc Global Investments (Luxembourg) SICAV.

The offering of the shares has not been and will not be registered with the Comissão de Valores Mobiliários ("CVM") (the Brazilian Securities Commission). The shares may not be offered or sold in the Federative Republic of Brazil, except in circumstances which do not constitute a public offering or distribution of securities under Brazilian laws and regulations.

#### NOTICE TO INVESTORS IN BRUNEI

This Prospectus has neither been delivered to, licensed or permitted by Autoriti Monetari Brunei Darussalam, nor has it been registered with the Registrar of Companies. This document is for informational purposes only and does not constitute an invitation or offer to the public. As such, it must not be distributed or redistributed to and may not be relied upon or used by any person in Brunei other than the person to whom it is directly communicated and who belongs to a class of persons as defined under section 20 of the Brunei Securities Market Order, 2013.

#### NOTICE TO INVESTORS IN CHILE

*Esta es una oferta privada y confidencial de valores emitidas por Red Arc Global Investments (Luxembourg) SICAV.*

*Esta oferta privada se inicia el día 30 enero 2015 y se acoge a las disposiciones de la norma de carácter general N° 336 de la Superintendencia de Valores y Seguros.*

*Esta oferta versa sobre valores no inscritos en el registro de valores o en el registro de valores extranjeros que lleva la Superintendencia de Valores y Seguros, por lo que tales valores no están sujetos a la fiscalización de ésta.*

*Por tratar de valores no inscritos no existe la obligación por parte del emisor de entregar en Chile información pública respecto de los valores sobre los que versa esta oferta.*

*Estos valores no podrán ser objeto de oferta pública mientras no sean inscritos en el registro de valores correspondiente.*

This is a confidential private offer of securities issued by the Company.

This private offer commences on 30 January 2015 and it avails itself of the general regulation no. 336 of the Superintendence of Securities and Insurance;

This offer relates to securities not registered with the securities registry or the registry of foreign securities of the Superintendence of Securities and Insurance, and therefore such securities are not subject to oversight by the latter.

Being unregistered securities, there is no obligation on the to provide public information in Chile regarding such securities; and these securities may not be subject to a public offer until they are registered in the corresponding securities registry.

#### NOTICE TO INVESTORS IN COLOMBIA

*Esta es una oferta privada y confidencial de participaciones emitidas por el Red Arc Global Investments (Luxembourg) SICAV. Promoción y oferta de los negocios y servicios de Citibank, N.A. representada en Colombia.*

This is a confidential private offer of shares issued by the Company. Promotion and offer of businesses and services of Citibank, N.A. represented in Colombia. "

#### NOTICE TO INVESTORS IN HONG KONG

This Prospectus has not been registered by the Registrar of Companies in Hong Kong. The Company is a collective investment scheme as defined in the Securities and Futures Ordinance of Hong Kong (the "**Ordinance**") but has not been authorised by the Securities and Futures Commission pursuant to the Ordinance. Accordingly, the Shares may only be offered or sold in Hong Kong to persons who are "professional investors" as defined in the Ordinance and any rules made under the Ordinance or in circumstances which are permitted under the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong and the Ordinance. In addition, this Prospectus may not be issued or possessed for the purposes of issue, whether in Hong Kong or elsewhere, and the Shares may not be disposed of to any person unless such person is outside Hong Kong, such person is a "professional investor" as defined in the Ordinance and any rules made under the Ordinance or as otherwise may be permitted by the Ordinance.

#### NOTICE TO INVESTORS IN ISRAEL

This Prospectus has not been approved by the Israel Securities Authority and will only be distributed to Israeli residents in a manner that will not constitute "an offer to the public" under sections 15 and 15a of the Israel Securities Law, 5728-1968 (the "**Securities Law**") or section 25 of the Joint Investment Trusts Law, 5754-1994 (the "**Joint Investment Trusts Law**"), as applicable. The Shares are being offered to a limited number of investors (35 investors or fewer during any given 12 month period) and/or those categories of investors listed in the First Addendum (the "**Addendum**") to the Securities Law, ("**Sophisticated Investors**") namely joint investment funds or mutual trust funds, provident funds, insurance companies, banking corporations (purchasing shares for themselves or for clients who are Sophisticated Investors), portfolio managers (purchasing Shares for themselves or for clients who are Sophisticated Investors), investment advisors or investment marketers (purchasing Shares for themselves), members of the Tel-Aviv Stock Exchange (purchasing Shares for themselves or for clients who are Sophisticated

Investors), underwriters (purchasing Shares for themselves), venture capital funds engaging mainly in the capital market, an entity which is wholly-owned by Sophisticated Investors, corporations, (other than formed for the specific purpose of an acquisition pursuant to an offer), with a shareholders equity in excess of NIS 50 million, and individuals in respect of whom the terms of item 9 in the Schedule to the Investment Advice Law hold true investing for their own account, each as defined in the said Addendum, as amended from time to time, and who in each case have provided written confirmation that they qualify as Sophisticated Investors, and that they are aware of the consequences of such designation and agree thereto; in all cases under circumstances that will fall within the private placement or other exemptions of the Joint Investment Trusts Law, the Securities Law and any applicable guidelines, pronouncements or rulings issued from time to time by the Israel Securities Authority.

This Prospectus may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent. Any offeree who purchases Shares is purchasing such Shares for its own benefit and account and not with the aim or intention of distributing or offering such Shares to other parties (other than, in the case of an offeree which is a Sophisticated Investor by virtue of it being a banking corporation, portfolio manager or member of the Tel-Aviv Stock Exchange, as defined in the Addendum, where such offeree is purchasing Shares for another party which is a Sophisticated Investor). Nothing in this Prospectus should be considered investment advice or investment marketing as defined in the Regulation of Investment Counselling, Investment Marketing and Portfolio Management Law, 5755-1995.

Investors are encouraged to seek competent investment counselling from a locally licensed investment counsel prior to making the investment. As a prerequisite to the receipt of a copy of this Prospectus a recipient may be required by the Company to provide confirmation that it is a Sophisticated Investor purchasing Shares for its own account or, where applicable, for other Sophisticated Investors.

This Prospectus does not constitute an offer to sell or solicitation of an offer to buy any securities other than the Shares offered hereby, nor does it constitute an offer to sell to or solicitation of an offer to buy from any person or persons in any state or other jurisdiction in which such offer or solicitation would be unlawful, or in which the person making such offer or solicitation is not qualified to do so, or to a person or persons to whom it is unlawful to make such offer or solicitation.

#### NOTICE TO INVESTORS IN MEXICO

This is a confidential private offer of shares issued by Red Arc Global Investments (Luxembourg) SICAV.

The shares have not been and will not be registered with the Mexican National Securities Registry (*Registro Nacional de Valores*) maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*), and may not be offered or sold publicly, or otherwise be subject of broker activities in Mexico, except pursuant to a private placement exemption set forth under Article 8 of the Mexican Securities Market Law (*Ley del Mercado de Valores*). The information contained in the Prospectus is exclusively the responsibility of the issuer and has not been reviewed or authorized by the CNBV.



The acquisition of the shares by a Mexican resident will be made under its own responsibility.

#### NOTICE TO INVESTORS IN NEW ZEALAND

This Prospectus is not a registered prospectus or an investment statement for the purposes of the Securities Act 1978 and does not contain all the information typically included in a registered prospectus or investment statement. This offer of Shares does not constitute an "offer of securities to the public" for the purposes of the Securities Act 1978 and, accordingly, there is neither a registered prospectus nor an investment statement available in respect of the offer. Shares in any of the Sub-Funds of Red Arc Global Investments (Luxembourg) SICAV may only be offered to the public in New Zealand in accordance with the Securities Act 1978 and the Securities Regulations 2009 (or any replacement or statutory modification of the Securities Act 1978 and the Securities Regulations 2009).

#### NOTICE TO INVESTORS IN THE PEOPLE'S REPUBLIC OF CHINA

This Prospectus does not constitute a public offer of Shares in the Company, whether by sale or subscription, in the People's Republic of China (the "**PRC**"). The Company is not being offered or sold directly or indirectly in the PRC to or for the benefit of, legal or natural persons of the PRC.

Further, no legal or natural persons of the PRC may directly or indirectly purchase any of the Company or any beneficial interest therein without obtaining all prior PRC's governmental approvals that are required, whether statutorily or otherwise. Persons who come into possession of this document are required by the issuer and its representatives to observe these restrictions.

#### NOTICE TO INVESTORS IN PERU

This is a confidential private offer of shares issued by Red Arc Global Investments (Luxembourg) SICAV.

The Shares have not been and will not be approved by the Peruvian Securities Market Superintendency ("SMV") or any other regulatory agency in Peru, nor have they been registered under the Securities Market Law (*Ley del Mercado de Valores*), or any SMV regulations.

The shares may not be offered or sold within Peru except in private placement transactions.

#### NOTICE TO INVESTORS IN QATAR

The Shares are only being offered to a limited number of Investors who are willing and able to conduct an independent investigation of the risks involved in an investment in such shares. The Prospectus does not constitute an offer to the public and is for the use only of the named addressee and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof).

The Company has not been and will not be registered with the Qatar Central Bank or under any laws of the State of Qatar. No transaction will be concluded in your jurisdiction

and any inquiries regarding the shares should be made to Citigroup Global Markets Limited, London Branch.

## NOTICE TO INVESTORS IN SINGAPORE

The Sub-Funds are not authorised or recognised by the Monetary Authority of Singapore (the "**MAS**") and shares in the Sub-Funds (the "**Shares**") are not allowed to be offered to the retail public. This Prospectus is not a prospectus as defined in the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), and, accordingly, statutory liability under the SFA in relation to the content of this Prospectus does not apply. You should consider carefully whether the investment is suitable for you.

This Prospectus has not been registered as a prospectus by the MAS, and the offer of the Shares is made pursuant to the exemptions under Section 304 and/or 305 of the SFA.

Accordingly, the Shares may not be offered or sold, nor may the Shares be the subject of an invitation for subscription or purchase, nor may this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Shares be circulated or distributed, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 304 of the SFA, (b) to a relevant person (as defined in Section 305(1) of the SFA), or any person pursuant to an offer referred to in Section 305(2) of the SFA, and in accordance with the conditions specified in Section 305 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Shares are acquired by persons who are relevant persons specified under Section 305A of the SFA, namely:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Shares pursuant to an offer made under Section 305 of the SFA except:

- (1) to an institutional investor or to a relevant person as defined in Section 305(5) of the SFA, or which arises from an offer referred to in Section 275(1A) of the SFA (in the case of that corporation) or Section 305A(3)(i)(B) of the SFA (in the case of that trust);
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 305A(5) of the SFA; or

- (5) As specified in Regulation 36 of the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005 of Singapore.

## NOTICE TO INVESTORS IN SWITZERLAND

Neither the Company nor its Sub-Funds have been approved by the Swiss Financial Market Supervisory Authority ("**FINMA**") as a foreign collective investment scheme pursuant to Article 120 of the Swiss Collective Investment Schemes Act of 23 June 2006 (the "**CISA**"), as amended. Accordingly, the Company is not subject to the supervision of the FINMA and investors do not benefit from the investor protection provisions granted by the CISA. However, several Sub-Funds are compliant and available for distribution to qualified investors, as defined under Article 10 paragraph 3, 3bis and 3ter of the CISA, as revised and under Article 6 and 6a of the Swiss Federal Collective Investment Schemes Ordinance ("**CISO**") in Switzerland ("**Compliant Sub-Funds**"). Compliant Sub-Funds are displayed in a Swiss edition of the Prospectus (the "**Prospectus (Edition for Switzerland)**"). For the purpose of distributing Shares in Compliant Sub-Funds under Swiss law, the only valid prospectus is the Prospectus (Edition for Switzerland).

The Swiss representative is Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva (the "**Representative**"). The Swiss paying agent is Banque Cantonale de Genève, 17, quai de l'Ile, 1204 Geneva. The place of performance for legal disputes between investors and the Company in relation to Shares distributed in or from Switzerland only, shall be Geneva.

The Prospectus (Edition for Switzerland), the KIIDs, the Articles of Association of the Company and the annual and semi-annual reports of the Company may be obtained free of charge from the Representative.

The Company or its affiliates may make payments and other soft commissions to third parties for distribution activities ("**Retrocessions**") in respect of Shares in and from Switzerland. With such payments, the Company may compensate the respective third parties for all activities whose object is, whether directly or indirectly, the purchase of Shares for an investor. If the recipient of a Retrocession forwards such Retrocession to an investor (entirely or in part), the Retrocession shall not qualify as a Rebate (as defined below). Recipients of any Retrocessions must ensure transparent disclosure. They must disclose to investors, unsolicited and free of charge, information regarding the amount of any compensation received for their distribution activities. Following a request from an investor, recipients of a Retrocession must disclose the amounts received for the distribution of the collective investment schemes held by the investor concerned.

Rebates are payments by the Company or the Manager or the Global Distributor directly to investors in or from Switzerland from a fee or cost charged to the fund, with the purpose of reducing the said fee or cost to an agreed amount ("**Rebates**"). Rebates are permitted provided that (i) the Company or the Manager or the Global Distributor pays them from the fees due to the Company (so that they are not charged additionally to the assets), (ii) they are granted on the basis of objective criteria, and (iii) all investors who qualify on the basis of these objective criteria and demand Rebates are also granted these within the same timeframe and to the same extent. The objective criteria the Company applies when deciding to grant a Rebate are the investment volume, the product range, the size of the Fund, the number of investors in the Fund and the amount of fees generated by an investor.

Following receipt of a reasonable request by an investor, the Company or its affiliates shall disclose the respective extent of the Rebates free of charge.

The Representative holds that the laws of the Grand Duchy of Luxembourg do not provide for rules stricter than the Swiss rules regarding Retrocessions and Rebates in Switzerland.

#### NOTICE TO INVESTORS IN URUGUAY

This is a confidential private offer of shares issued by Red Arc Global Investments (Luxembourg) SICAV.

The sale of the shares qualifies as a private placement pursuant to section 2 of Uruguayan law 18.627. The Company represents and agrees that it has not offered or sold, and will not offer or sell, any shares to the public in Uruguay, except in circumstances which do not constitute a public offering or distribution under Uruguayan laws and regulations. The shares are not and will not be registered with the Central Bank of Uruguay to be publicly offered in Uruguay.

The shares correspond to an ownership interest in an investment fund that is not an investment fund regulated by Uruguayan law 16,774 dated September 27, 1996, as amended.

| <b>Table of Contents</b>  | <b>Page</b> |
|---|-------------|
| <b>1. ORGANIZATION OF THE COMPANY .....</b>   | <b>24</b>   |
| <b>2. GENERAL INFORMATION.....</b>  | <b>27</b>   |
| <b>3. MANAGEMENT AND ADMINISTRATION.....</b>  | <b>28</b>   |
| 3.1 The Directors .....   | 28          |
| 3.2 The Management Company .....  | 28          |
| 3.3 The Investment Managers and Sub-Investment Managers .....                               | 29          |
| 3.4 The Investment Advisors .....   | 29          |
| 3.5 The Custodian and Paying Agent .....  | 29          |
| 3.6 The Central Administration, Registrar and Transfer Agent, and Domiciliary Agent .....   | 30          |
| 3.7 The Global Distributor.....   | 30          |
| <b>4. CONFLICTS OF INTEREST .....</b>   | <b>31</b>   |
| <b>5. DISSOLUTION AND LIQUIDATION OF THE COMPANY .....</b>                                  | <b>33</b>   |
| <b>6. TERMINATION OF A SUB-FUND AND/OR CLASS OF SHARES.....</b>                             | <b>33</b>   |
| <b>7. MERGER, DIVISION OR TRANSFER OF SUB-FUNDS AND/OR CLASSES OF SHARES.....</b>           | <b>35</b>   |
| <b>8. MASTER – FEEDER STRUCTURES.....</b>   | <b>36</b>   |
| <b>9. GENERAL MEETINGS.....</b>   | <b>36</b>   |
| <b>10. ANNUAL AND SEMI-ANNUAL REPORTS.....</b>  | <b>36</b>   |
| <b>11. DOCUMENTS AVAILABLE FOR INSPECTION .....</b>   | <b>37</b>   |
| <b>12. COMPETENT JURISDICTION AND APPLICABLE LAW .....</b>                                  | <b>37</b>   |
| <b>13. INVESTMENT OBJECTIVE OF THE COMPANY .....</b>  | <b>37</b>   |
| <b>14. INVESTMENT POLICIES .....</b>  | <b>37</b>   |
| <b>15. GLOBAL EXPOSURE .....</b>  | <b>38</b>   |
| <b>16. RISK FACTORS .....</b>   | <b>38</b>   |
| 16.1 Introduction.....  | 38          |
| 16.2 General.....   | 39          |
| 16.3 Risks relating to the Shares.....  | 43          |
| 16.4 Risks relating to the Investment Policies of Sub-Funds tracking a Reference Asset..... | 49          |
| 16.5 Risks relating to a Sub-Fund's Assets .....  | 52          |
| <b>17. FORM OF SHARES .....</b>   | <b>61</b>   |
| <b>18. ISSUE OF SHARES .....</b>  | <b>61</b>   |
| <b>19. CLASSES OF SHARES.....</b>   | <b>62</b>   |
| <b>20. SUBSCRIPTION FOR SHARES.....</b>   | <b>62</b>   |
| 20.1 Subscription Procedure .....   | 62          |
| 20.2 Payment Procedure .....  | 64          |
| 20.3 Notification of Transaction.....   | 65          |

|            |   |           |
|------------|---|-----------|
| 20.4       | Rejection of Subscriptions .....  | 65        |
| 20.5       | Suspension of Net Asset Valuation.....  | 65        |
| 20.6       | Money Laundering Prevention .....   | 66        |
| 20.7       | Late Trading.....   | 66        |
| 20.8       | Market Timing .....   | 66        |
| 20.9       | Subscription Commissions and Dilution Levy .....  | 67        |
| <b>21.</b> | <b>COMPANY CHARGES .....</b>  | <b>67</b> |
| 21.1       | General.....  | 67        |
| 21.2       | Formation expenses .....  | 69        |
| 21.3       | Allocation of costs and expenses .....  | 69        |
| <b>22.</b> | <b>CONVERSION OF SHARES .....</b>   | <b>70</b> |
| 22.1       | Introduction.....   | 70        |
| 22.2       | Conversion Commission.....  | 70        |
| 22.3       | Dilution Levy .....   | 70        |
| 22.4       | Procedure for Conversion .....  | 70        |
| 22.5       | Notification of Transaction.....  | 71        |
| <b>23.</b> | <b>TRANSFER OF SHARES .....</b>   | <b>71</b> |
| <b>24.</b> | <b>REDEMPTION OF SHARES .....</b>   | <b>71</b> |
| 24.1       | Limitations on redemptions .....  | 71        |
| 24.2       | Redemption Mechanics.....   | 71        |
| 24.3       | Redemption Commission and Dilution Levy .....   | 72        |
| 24.4       | Procedure for Redemption .....  | 72        |
| 24.5       | Compulsory Redemption .....   | 73        |
| 24.6       | Temporary Suspension of Redemption.....   | 73        |
| <b>25.</b> | <b>SIGNIFICANT SUBSCRIPTIONS, REDEMPTIONS AND<br/>CONVERSIONS .....</b>                   | <b>74</b> |
| 25.1       | Subscription Applications Representing (in aggregate) Ten (10) per cent or More of<br>NAV | 74        |
| 25.2       | Redemption Applications Representing (in aggregate) Ten (10) per Cent or More of<br>NAV   | 74        |
| <b>26.</b> | <b>DILUTION LEVY .....</b>  | <b>74</b> |
| <b>27.</b> | <b>POOLING AND CO-MANAGEMENT .....</b>  | <b>75</b> |
| <b>28.</b> | <b>DIVIDEND POLICY .....</b>  | <b>77</b> |
| 28.1       | General.....  | 77        |
| 28.2       | Accumulation Classes.....   | 77        |
| 28.3       | Distribution Classes .....  | 77        |
| <b>29.</b> | <b>TAXATION.....</b>  | <b>78</b> |
| 29.1       | Luxembourg SICAV .....  | 79        |

|            |   |            |
|------------|---|------------|
| 29.2       | Shareholders of a Luxembourg SICAV .....                      | 79         |
| 29.3       | EU Savings Directive.....                                     | 79         |
| <b>30.</b> | <b>UNITED STATES' FOREIGN ACCOUNT TAX COMPLIANCE .....</b>    | <b>82</b>  |
| <b>31.</b> | <b>PERSONAL DATA, PROCESSING AND DISCLOSING OF DATA .....</b> | <b>83</b>  |
| 31.1       | Processing of Personal Data .....                             | 83         |
| 31.2       | Disclosure of Data .....                                      | 84         |
|            | <b>APPENDIX A – INVESTMENT POWERS AND RESTRICTIONS .....</b>  | <b>86</b>  |
|            | <b>APPENDIX B – SPECIAL TECHNIQUES AND INSTRUMENTS.....</b>   | <b>95</b>  |
|            | <b>APPENDIX C - RISK MANAGEMENT PROCESS.....</b>              | <b>102</b> |
|            | <b>APPENDIX D – NET ASSET VALUE.....</b>                      | <b>103</b> |
|            | <b>APPENDIX E – DETAILS OF EACH SUB-FUND.....</b>             | <b>108</b> |
|            | Volatility Arbitrage Fund.....                                | 109        |
|            | European Equity Absolute Return Fund .....                    | 129        |
|            | BOCHK RMB High Yield Bond Fund .....                          | 151        |
|            | Absolute Return Dynamic Protection Fund .....                 | 177        |
|            | Equity Absolute Return Opportunities Fund .....               | 191        |
|            | Absolute Return Opportunities Fund .....                      | 215        |

## DEFINITIONS

|  |  |
|--|--|
| <b>"Account Number"</b>  | means the personal account number given to Shareholders on their initial subscription;   |
| <b>"Annual Report"</b>   | means the annual report of the Company containing audited accounts;  |
| <b>"Articles of Incorporation"</b>   | means the articles of incorporation of the Company as amended from time to time;   |
| <b>"Board of Directors"</b>  | means the board of directors of the Company which, as at the date of this Prospectus, is as set out in section 1;  |
| <b>"Central Administration"</b>  | means Citibank Europe plc, Luxembourg Branch or any successor thereto appointed by the Management Company with the prior approval of the Company as the Company's central administration agent;  |
| <b>"Citi Affiliates"</b>   | has the meaning given to such term in section 16.2 of this Prospectus;   |
| <b>"Class or Class of Share"</b>   | means a particular class of Shares offered by a Sub-Fund;  |
| <b>"Company"</b>   | means Red Arc Global Investments (Luxembourg) SICAV;   |
| <b>"Connected Person"</b>  | has the meaning given to such term in section 4 of this Prospectus;  |
| <b>"Consolidated Currency"</b>   | means the consolidated currency of the Company, which is the Euro;   |
| <b>"Conversion Commission"</b>   | means the commission which may be levied upon the conversion of Shares pursuant to section 22.1 of this Prospectus and in relation to a particular Sub-Fund, as set out in the Annex to Appendix E relating to such Sub-Fund;  |
| <b>"CSSF" or<br/>"Commission de<br/>Surveillance du<br/>Secteur Financier"</b> | means the Luxembourg Financial Supervisory Authority;  |
| <b>"Custodian"</b>   | means Citibank Europe plc, Luxembourg Branch or any successor thereto appointed by the Company as its custodian;   |
| <b>"Dealing Day"</b>   | means a Luxembourg Bank Business Day on which a subscription, redemption or conversion request is received by the Registrar and Transfer Agent prior to the Fund Subscription Deadline, the Fund Redemption Deadline or the Fund Conversion Deadline (as appropriate) for a Sub-Fund, such days to be specified in respect of each Sub-Fund in the |



|                                      |   |
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|                                      | relevant Annex to Appendix E;   |
| <b>"Dilution Levy"</b>               | means a levy which may be imposed upon any subscription, redemption or conversion of Shares as set out in section 26 of this Prospectus;  |
| <b>"Director"</b>                    | means a director of the Company;  |
| <b>"Distribution Agreements"</b>     | means any sub-distribution agreement pursuant to which the Global Distributor has appointed a Distributor;  |
| <b>"Distributor"</b>                 | means any sub-distributor appointed by the Global Distributor for the purpose of assisting in the distribution of the Shares of the Sub-Funds in certain countries;   |
| <b>"Domiciliary Agent"</b>           | means Citibank Europe plc, Luxembourg Branch or any successor thereto appointed by the Company as corporate and domiciliary agent;  |
| <b>"Eligible State"</b>              | means, for the purposes of Appendix A, paragraph 5(a) of this Prospectus, any EU Member State, any member state of the OECD, and any other state which the Board of Directors deems appropriate with regard to the investment objectives of each Sub-Fund;  |
| <b>"EU Member State"</b>             | means a member state of the European Union;   |
| <b>"Euro", "Euros", "EUR" or "€"</b> | means the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the Euro, as amended;  |
| <b>"European Union" or "EU"</b>      | means the union of member states created by the Treaty on European Union 1992, as amended;  |
| <b>"EU Savings Directive"</b>        | means Council Directive 2003/48/EC;   |
| <b>"FATCA"</b>                       | means: (a) sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended, or any associated regulations or other official guidance; (b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the United States and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; or (c) any agreement pursuant to the implementation of paragraphs (a) or (b) above with the U.S. Internal Revenue Service, the U.S. government or any governmental or taxation authority; |
| <b>"FATCA Prohibited Investor"</b>   | means (i) a "specified U.S. person" as defined in Treasury Regulation § 1.1473-1(c) or a "Specified U.S. Person" as defined in the Luxembourg IGA (ii) a "nonparticipating  |

foreign financial institution" as defined in Treasury Regulation § 1.1471-1(b)(82) or a "Nonparticipating Financial Institution" as defined in the Luxembourg IGA, or (iii) a "passive nonfinancial foreign entity" as defined in Treasury Regulation § 1.1471-1(b)(94) with one or more "substantial U.S. owners" as defined in Treasury Regulation § 1.1473-1(b) or a "Non-U.S. Entity" with one or more "Controlling Persons" that is a "Specified U.S. Person" as defined in the Luxembourg IGA;

**"Financial Derivative Instruments"**

means financial derivative instruments, including equivalent cash-settled instruments as set out in Article 50(1)(g) of Directive 2009/65/EC;

**"Fund Conversion Deadline"**

means, in relation to a Sub-Fund, the time specified in the relevant Annex to Appendix E before which an application for conversion must be made on a Dealing Day in order for it to be considered on the relevant Dealing Day(s) indicated for each Sub-Fund in the relevant Annex(es) to Appendix E, pursuant to Section 22 of this Prospectus;

**"Fund Redemption Deadline"**

means, in relation to a Sub-Fund, the deadline by which applications for redemptions of Shares must be received by the Registrar and Transfer Agent in Luxembourg in order to be processed on the relevant Dealing Day indicated for each Sub-Fund in the relevant Annex to Appendix E, pursuant to section 24.4 of this Prospectus;

**"Fund Subscription Deadline"**

means, in relation to a Sub-Fund, the deadline by which applications for subscriptions of Shares must be received by the Registrar and Transfer Agent in Luxembourg in order to be processed on the relevant Dealing Day indicated in respect of each Sub-Fund in the relevant Annex to Appendix E, pursuant to section 20.1 of this Prospectus;

**"GAFI"**

means the Financial Action Task Force (*Groupe d'Action Financière*);

**"Global Distribution Agreement"**

means the global distribution agreement dated 6 November 2013 pursuant to which the Management Company appointed the Global Distributor to market, distribute and promote the Shares;

**"Global Distributor"**

means Citigroup Global Markets Limited or any successor thereto appointed by the Management Company, with the prior approval of the Company, as global distributor;

**Grand-Ducal Regulation 2008**

means the Grand Ducal Regulation of 8 February 2008 relating to certain definitions of the amended law of 20 December 2002 on undertakings for collective investment, as amended from time to time.

|                                       |   |
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| <b>"Hedged Class of Shares"</b>       | means a Class of Shares created to provide protection against movements of one currency against other currencies;   |
| <b>"Initial Offer Period"</b>         | means the period determined by the Board of Directors during which any Class of Shares in a relevant Sub-Fund may be offered at a fixed price pursuant to section 20.9 of this Prospectus, as set out in the Annex to Appendix E relating to that Sub-Fund;                     |
| <b>"Initial Price"</b>                | means in respect of the Shares of a Sub-Fund, the amount specified as the initial price for such Shares in the relevant Annex to Appendix E;  |
| <b>"Initial Subscription Day"</b>     | means in respect of any Sub-Fund, the first Dealing Day on which subscriptions, redemptions or conversions are accepted, as specified in the relevant Annex to Appendix E;  |
| <b>"Institutional Investors"</b>      | means institutional investors as such term is interpreted by the CSSF and any applicable laws and regulations from time to time in force in Luxembourg;   |
| <b>"Investment Advisor"</b>           | means an entity appointed by an Investment Manager or by the Management Company to provide investment advice and recommendations in respect of the investment portfolio of one or more of the Sub-Funds, on an ongoing and purely advisory basis;                               |
| <b>"Investment Manager"</b>           | means an entity appointed by the Management Company to manage the assets of one or more of the Sub-Funds, in accordance with the investment objectives, policies and restrictions for such Sub-Fund(s), as set out in this Prospectus and the relevant Annex(es) to Appendix E; |
| <b>"Investor"</b>                     | means any potential or prospective Shareholder;   |
| <b>"KIID"</b>                         | means a key investor information document in relation to the Shares of a Sub-Fund;  |
| <b>"Launch Date"</b>                  | means in respect of a Sub-Fund, the date specified for the launch of such Sub-Fund in the relevant Annex to Appendix E;   |
| <b>"Luxembourg Bank Business Day"</b> | means any full working day in Luxembourg when the banks are open for business;  |
| <b>"Luxembourg IGA"</b>               | means the intergovernmental agreement entered into between the governments of Luxembourg and the United States for the purposes of FATCA;   |
| <b>"Management Company"</b>           | means Assenagon Asset Management S.A. or any successor thereto appointed by the Company as management company from time to time in accordance with Part I of the UCI Law;   |

|                                       |  |
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| <b>"Management Company Agreement"</b> | means the agreement dated 6 November 2013 under which the Company has appointed the Management Company to perform the functions of a management company in accordance with chapter 15 of the UCI Law;  |
| <b>"Mémorial"</b>                     | means the <i>Mémorial C, Recueil des Sociétés et Associations</i> ;  |
| <b>"Minimum Initial Investment"</b>   | means the minimum cash amount or minimum number of Shares that are required to be invested by each Investor as its initial minimum investment for Shares of each Class of a Sub-Fund as specified in the relevant Annex to Appendix E relating to that Sub-Fund;   |
| <b>"Minimum Shareholding"</b>         | means a minimum number of Shares in respect of a Class of Shares of a Sub-Fund which may be set by the Board of Directors, such that where a Shareholder requests a redemption or conversion of Shares of any Class of a Sub-Fund which would reduce the number of Shares in such Class held by that Shareholder below the relevant amount, the request may be treated as a request for redemption or conversion of that Shareholder's entire shareholding in that Class of Shares, as set out in the Annex to Appendix E relating to that Sub-Fund; |
| <b>"Money Market Instruments"</b>     | has the meaning given in Article 2 of Directive 2009/65/EC;  |
| <b>"Net Asset Value"</b>              | means in respect of a Sub-Fund or a Class of Shares in a Sub-Fund, the net asset value of the Sub-Fund or Class of Shares, calculated in accordance with Appendix D;   |
| <b>"Net Asset Value Per Share"</b>    | means in respect of a Share within a specific Class within a Sub-Fund, the net asset value of such Share, calculated in accordance with Appendix D;  |
| <b>"New Class"</b>                    | means, in relation to a conversion of Shares pursuant to section 22 of this Prospectus, the Class into which the relevant Shares are converted;  |
| <b>"New Sub-Fund"</b>                 | means, in relation to a conversion of Shares pursuant to section 22 of this Prospectus, the Sub-Fund into which the relevant Shares are converted;   |
| <b>"Non-Registering Local Bank"</b>   | means a non-registering local bank as defined in Treasury Regulation § 1.471-5(f)(2)(i);   |
| <b>"OECD"</b>                         | means the Organisation for Economic Co-operation and Development;  |
| <b>"Original Class"</b>               | means, in relation to a conversion of Shares pursuant to section 22 of this Prospectus, the Class of Shares in which the Shareholder initially holds Shares;   |

|                                       |   |
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| <b>"Original Sub-Fund"</b>            | means, in relation to a conversion of Shares pursuant to section 22 of this Prospectus, the Sub-Fund in respect of which a Shareholder initially holds Shares;  |
| <b>"OTC Derivatives"</b>              | means Financial Derivative Instruments dealt in over-the-counter;   |
| <b>"Participating Funds"</b>          | has the meaning given to such term in section 27 of this Prospectus;  |
| <b>"Paying Agent"</b>                 | means Citibank Europe plc, Luxembourg Branch or any successor thereto appointed by the Company as paying agent;   |
| <b>"Prohibited Persons"</b>           | has the meaning given to such term in section 20 of this Prospectus;  |
| <b>"PFFI"</b>                         | means a participating foreign financial institution as defined in Treasury Regulation § 1.1471-1T(b)(91);   |
| <b>"Redemption Commission"</b>        | means the commission which may be levied on the redemption of Shares of a Sub-Fund as set out in the Annex to Appendix E relating to such Sub-Fund;   |
| <b>"Redemption Price"</b>             | means the redemption price per Share as set out in section 24.4 of this Prospectus;   |
| <b>"Reference Currency"</b>           | means the currency in which each Sub-Fund is denominated;   |
| <b>"Registrar and Transfer Agent"</b> | means Citibank Europe plc, Luxembourg Branch or any successor thereto appointed by the Management Company, with the prior approval of the Company, as the Company's registrar and transfer agent;                     |
| <b>"Restricted Distributor"</b>       | means a restricted distributor as defined in Treasury Regulation § 1.1471-5(f)(4);  |
| <b>"Retail Investors"</b>             | means retail investors as such term is interpreted by the CSSF and any applicable laws and regulations from time to time in force in Luxembourg;  |
| <b>"Risk Management Policy"</b>       | means the Company's risk-management process, which enables it to monitor, measure and manage at any time the risk of the relevant Sub-Fund's positions and their contribution to the Sub-Fund's overall risk profile; |
| <b>"RDCFFI"</b>                       | means a Registered Deemed Compliant Foreign Financial Institution as defined in Treasury Regulation § 1.1471-5(f)(1);   |
| <b>"Semi-Annual Report"</b>           | means the unaudited semi-annual reports of the Company;   |

|                                      |   |
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| <b>"Share(s) "</b>                   | means the share(s) in any Sub-Fund of the Company;  |
| <b>"Share Class Currency"</b>        | means the currency in which a Class of Shares is denominated;   |
| <b>"Shareholder"</b>                 | means any holder of Shares;   |
| <b>"Sub-Fund"</b>                    | means a segregated compartment of the Company which is comprised of a portfolio of assets (including uninvested cash) which is invested in accordance with the investment objective and policies set out in the relevant Annex to Appendix E;   |
| <b>"Sub-Investment Manager"</b>      | means an entity appointed by an Investment Manager, with the prior approval of the Company and of the Management Company, to manage the assets of one or more Sub-Funds in accordance with the investment objectives, policies and restrictions for such Sub-Fund(s), as set out in this Prospectus and the relevant Annex(es) to Appendix E; |
| <b>"Subscription Commission"</b>     | means a subscription commission of up to six per cent (6%) payable as part of the Subscription Price of Shares of a Sub-Fund, as set out in the Annex to Appendix E relating to that Sub-Fund   |
| <b>"Subscription Currency"</b>       | means a currency of subscription for Shares other than the Share Class Currency in respect of those Shares as may be agreed between the Investor or Shareholder and the Central Administration;   |
| <b>"Subscription Form"</b>           | means the form to be used by Investors or Shareholders in order to apply to subscribe for Shares;   |
| <b>"Subscription Price"</b>          | means the subscription price per Share as set out in section 20.9 of this Prospectus;   |
| <b>"Suspension of Subscriptions"</b> | means a decision by the Board of Directors in its sole discretion to refuse, for one or more Sub-Fund(s), any subscription for a determined or undetermined period of time;   |
| <b>"Territories"</b>                 | means Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, Bonaire, Curacao, Sint Maarten, St. Eustatius and Saba and Aruba;  |
| <b>"Transferable Securities"</b>     | has the meaning given in Directive 2009/65/EC;  |
| <b>"UCI"</b>                         | means an undertaking for collective investment;   |
| <b>"UCI Law"</b>                     | means the Luxembourg law of 17 December 2010 on undertakings for collective investment, as may be amended   |

|                                |  |
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|                                | from time to time;   |
| <b>"UCITS"</b>                 | means an undertaking for collective investment in transferable securities governed by part I of the UCI Law;   |
| <b>"UCITS Directive"</b>       | means the Directive 2009/65/EC of the European Union Parliament and of the Council of 13 July 2009, as may be amended from time to time;   |
| <b>"US" or "United States"</b> | means the United States of America, including any of its territories and possessions and areas subject to its jurisdiction;  |
| <b>"US Person"</b>             | has the meaning prescribed in Regulation S under the United States Securities Act of 1933;   |
| <b>"Valuation Day"</b>         | means a Luxembourg Bank Business Day when the Net Asset Value per Share of each Class of Shares in each Sub-Fund is determined or as otherwise specified in the Annex to Appendix E relating to the relevant Sub-Fund; |
| <b>"Valuation Time"</b>        | means the time set out in Appendix D or as otherwise specified in the Annex to Appendix E relating to the relevant Sub-Fund; and   |
| <b>"VaR"</b>                   | means 'value at risk'.   |

## 1. **ORGANIZATION OF THE COMPANY**

### **BOARD OF DIRECTORS**

#### **CHAIRMAN OF THE BOARD OF DIRECTORS**

Véronique Gillet  
Independent Director, Adeis S.A.  
58, rue Glesener  
L-1630 Luxembourg  
Grand Duchy of Luxembourg

#### **OTHER MEMBERS OF THE BOARD OF DIRECTORS**

Mr Alain Guérard  
Independent Director  
53, am Steffesgaart  
L-5222 Sandweiler  
Grand Duchy of Luxembourg

Mr Vassilios Pappas  
Managing Director, Head of Portfolio Management  
Assenagon Asset Management S.A.  
Prannerstraße 8  
80333 Munich  
Germany

Dr. Robert Wendt  
Managing Director, Head of Investment Solutions  
Assenagon Asset Management S.A.  
Prannerstraße 8  
80333 Munich  
Germany

### **MANAGEMENT COMPANY**

Assenagon Asset Management S.A.  
Aerogolf Center  
1B, Heienhaff  
L-1736 Senningerberg  
Grand Duchy of Luxembourg



## **BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Hans Günther Bonk (Chairman)  
Vassilios Pappas  
Dr Dr Heimo Ploessnig

## **DAY-TO-DAY MANAGERS OF THE MANAGEMENT COMPANY**

Hans Günther Bonk  
Michael Hünseler  
Anders Malcolm  
Vassilios Pappas  
Dr. Dr. Heimo Plössnig  
Thomas Romig  
Dr. Robert Wendt

## **AUDITOR OF THE MANAGEMENT COMPANY**

KPMG Luxembourg S.à r.l.  
9, allée Scheffer,  
L-1011 Luxembourg  
Grand Duchy of Luxembourg

## **GLOBAL DISTRIBUTOR**

Citigroup Global Markets Limited  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

## **CUSTODIAN AND PAYING AGENT**

Citibank Europe plc, Luxembourg Branch  
31, Z.A. Bourmicht  
L-8070 Bertrange  
Grand Duchy of Luxembourg

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

Citibank Europe plc, Luxembourg Branch  
31, Z.A. Bourmicht  
L-8070 Bertrange  
Grand Duchy of Luxembourg

**AUDITOR**

KPMG Luxembourg, Société coopérative  
39, Avenue John F. Kennedy  
1855 Luxembourg  
Grand Duchy of Luxembourg

**LEGAL ADVISOR**

Clifford Chance  
10, Boulevard Grande-Duchesse Charlotte  
L-1330 Luxembourg  
Grand-Duchy of Luxembourg

## 2. GENERAL INFORMATION

The Company has been incorporated for an unlimited period of time on 5 November 2013 under Luxembourg law as a "société d'investissement à capital variable" (SICAV). The Company was incorporated with an initial share capital of thirty-one thousand Euros (EUR 31,000). The minimum capital of the Company shall be EUR 1,250,000 as required by the UCI Law.-.The Company's Articles of Incorporation have been deposited with the Luxembourg Register for Trade and Companies and have been published in the *Mémorial* on 3 December 2013. The Company is registered with the Luxembourg Register for Trade and Companies under number B 181.888.

The Articles of Incorporation may be amended from time to time by an extraordinary general meeting of Shareholders of the Company, subject to the quorum and majority requirements provided by Luxembourg law. Any amendment thereto shall be published in the *Mémorial*, and, if necessary, in a Luxembourg daily newspaper and/or in the official publications specified for the respective countries in which the Shares are sold. Such amendments become legally binding on all Shareholders, following their approval by the extraordinary general meeting of Shareholders.

The Company is a single legal entity. However, if more than one Sub-Fund is offered, the rights of Shareholders and of creditors concerning a Sub-Fund or which have arisen in connection with the creation, operation or liquidation of a Sub-Fund are limited to the assets of that Sub-Fund. For the purpose of the relations between Shareholders, each Sub-Fund will be deemed a separate entity.

Each Sub-Fund constitutes a common portfolio of investments, and no legal segregation of assets and liabilities exists between the various Classes of Shares within each Sub-Fund. This may cause Investors in any Class of Shares of a Sub-Fund to have exposure to the assets and liabilities of the other Classes of Shares of the same Sub-Fund. However, the Company may, in its sole discretion, enter into agreements on a limited recourse basis, whereby the relevant counterparty's rights are limited to the portion of the assets of a Sub-Fund attributable to the relevant Class(es) of Shares of that Sub-Fund.

Depending on the particular features of each Class of Shares, each such Class may have a different cost and fee structure. Within the limits of the applicable laws and regulations, each Class of Shares will carry the costs and expenses specifically allocable to such Class.

The Board of Directors may amend the names of any Sub-Fund (or any Classes of Shares of any Sub-Fund) without the approval of the Shareholders in the relevant Sub-Fund.

The Company will keep separate books and records in which all transactions relating to a Sub-Fund shall be recorded and the proceeds from the allotment and issue of Shares of each Class of that Sub-Fund, the investments and the liabilities and income and expenditure attributable thereto shall be applied or charged to such Sub-Fund.

Any asset derived from any other asset(s) (whether cash or otherwise) comprised in any Sub-Fund shall be applied in the books and records of the Company to the same Sub-Fund as the asset from which it was derived and any increase or diminution in the value of such an asset shall be applied to the relevant Sub-Fund.

### **3. MANAGEMENT AND ADMINISTRATION**

#### **3.1 The Directors**

The Directors, whose names appear in section 1, are responsible for the information contained in this Prospectus. They have taken all reasonable care to ensure that at the date of this Prospectus the information contained herein is accurate and complete in all material respects. The Directors accept their responsibility accordingly.

The Directors are responsible for the Company's management, control, administration and the determination of its overall investment objectives and policies.

#### **3.2 The Management Company**

The Company has appointed Assenagon Asset Management S.A., a company incorporated under the laws of the Grand Duchy of Luxembourg and having its registered office at the Aerogolf Center, 1B Heienhaff, L-1736, Senningerberg, Luxembourg, as its management company in accordance with the provisions of the UCI Law, under the Management Company Agreement.

The Management Company was incorporated in the form of a *Société Anonyme* on 9 August 2007 for an unlimited duration. The Management Company is approved as a management company in accordance with chapter 15 of the UCI Law. The Management Company has a subscribed and paid-up capital of EUR 5 million.

As of the date of this Prospectus, the Management Company's board of directors consists of the members whose names appear in section 1.

The Management Company is, according to the Management Company Agreement, appointed to serve as the Company's designated management company. The Management Company shall in particular be responsible for the following duties:

- investment management of the Sub-Funds, including risk management;
- administrative agency, corporate and domiciliary agency, registrar and transfer agency services; and
- marketing, distribution and sales and private placement services where applicable.

The Management Company Agreement provides that the Management Company shall not take any action of a strategic nature without having obtained the prior consent of the Company or a person designated by the Company.

The rights and duties of the Management Company are governed by the UCI Law and the Management Company Agreement.

In accordance with the Management Company Agreement, applicable laws and regulations and with the prior consent of the Company, the Management Company is empowered to delegate all or part of its duties and powers to any person or entity, which it considers appropriate. This Prospectus shall, where necessary, be amended accordingly.

The duties of investment manager, sub-investment manager, investment advisor, global distributor and central administrative agent (which include the registrar and transfer agent duties) may be delegated as further detailed below.

### **3.3 The Investment Managers and Sub-Investment Managers**

The Management Company, with the prior approval of the Company, may appoint Investment Manager(s) to manage the assets of the Sub-Funds as specified in the Annexes to Appendix E.

The Investment Managers, with the prior approval of the Management Company and the Company, may appoint for each Sub-Fund one or more Sub-Investment Managers. The details of such Sub-Investment Managers, if any, will be set out for each Sub-Fund in the relevant Annex to Appendix E.

### **3.4 The Investment Advisors**

Each Investment Manager, with the prior approval of the Management Company, may appoint Investment Advisors in relation to one or more of those Sub-Funds to which it has been appointed as Investment Manager. An Investment Advisor will provide investment advice and recommendations in respect of the investment portfolio of the relevant Sub-Funds, on an ongoing and purely advisory basis. The details of such Investment Advisors, if any, are specified for each Sub-Fund in the relevant Annex to Appendix E.

### **3.5 The Custodian and Paying Agent**

The Company has appointed Citibank Europe plc, Luxembourg Branch as the Company's custodian bank.

The Custodian is a public limited company domiciled in Ireland and authorized by the Central Bank of Ireland, acting through its Luxembourg Branch which is licensed for all types of banking activities. Its Luxembourg Branch was incorporated on 20 August 2015 and is registered with the *Registre de Commerce et des Sociétés* of Luxembourg under number B 200.204. Its registered office is at 31, Zone d'activités. Bourmicht, L-8070 Bertrange, Grand Duchy of Luxembourg.

Citibank Europe plc, Luxembourg Branch is a member of the Citigroup group of companies, having as their ultimate parent Citigroup Inc., a US publicly quoted company. Citibank Europe plc, Luxembourg Branch is authorised to provide such in accordance with the Luxembourg law of 5 April 1993 on the financial sector and is specialised in custody, fund administration and related services.

The Custodian has been entrusted with the custody of the Company's assets and it shall fulfil the obligations and duties provided for by the UCI Law. In compliance with usual banking practices, the Custodian may, under its responsibility, entrust part or all of the assets which are placed under its custody to other banking institutions or financial intermediaries.

The Custodian shall also ensure that: a) the sale, issue, repurchase, conversion and cancellation of Shares, performed by or on behalf of the Company are carried out in accordance with applicable laws and regulations and the Articles of Incorporation; b) in transactions involving the assets of the Company, the consideration is remitted to it within the usual time limits; and c) the income of the Company is allocated in accordance with the Articles of Incorporation.

As Paying Agent, Citibank Europe plc, Luxembourg Branch is responsible for the payment of dividends (if any) to the Shareholders and, as Domiciliary Agent, Citibank Europe plc, Luxembourg Branch provides the registered office of the Company as well as administrative, secretarial, and certain tax services to the Company.

### **3.6 The Central Administration, Registrar and Transfer Agent, and Domiciliary Agent**

With the prior approval of the Company, the Management Company has appointed Citibank Europe plc, Luxembourg Branch as the Company's central administration and registrar and transfer agent.

Citibank Europe plc, Luxembourg Branch has further been appointed by the Company as corporate and domiciliary agent.

In its capacity as Central Administration, Citibank Europe plc, Luxembourg Branch is responsible for the central administration of the Company and in particular for the determination of the Net Asset Value of the Shares and for the maintenance of accounting records.

In its capacity as Registrar and Transfer Agent, Citibank Europe plc, Luxembourg Branch is responsible for the issue, redemption, cancellation and transfer of the Shares and for the keeping of the register of Shareholders. Citibank Europe plc, Luxembourg Branch maintains collections accounts in its books for this purpose.

### **3.7 The Global Distributor**

Pursuant to the Global Distribution Agreement, the Management Company has expressly delegated to Citigroup Global Markets Limited as Global Distributor the marketing, distribution and promotion of the Shares of the Sub-Funds.

The Global Distributor may decide to appoint Distributors for the purpose of assisting in the distribution of the Shares of the Sub-Funds in certain countries (that have ratified the conclusions of the Financial Action Task Force or GAFI). The appointed Distributors will be professional entities of the financial sector and resident in the relevant country.

Distributors may not offer all of the Sub-Funds or Classes of Shares to their investors. Investors and Shareholders are invited to consult their Distributor for further details.

The Global Distributor and all other Distributors shall at all times qualify as a PFFI, RDCFFI, Non-Registering Local Bank, or Restricted Distributor and shall notify the Company within ninety (90) days of any such change in that status. Any change to a status other than PFFI, RDCFFI, Non-Registering Local Bank, or Restricted Distributor shall cause the distribution agreement to be terminated, within ninety (90) days of the notification of the Global Distributor's or the Distributor's (as the case may be) change in status and, with respect to all Shares of the Company issued through that Distributor, redeem those interests, convert those Shares to direct holdings in the Company, or cause those interests to be transferred to another Distributor which qualifies as a PFFI, RDCFFI, Non-Registering Local Bank or Restricted Distributor within six months of the Distributor's change in status. Shares may not be transferred to FATCA Prohibited Investors.

Distribution Agreements will be signed between the Global Distributor and the different Distributors. The Registrar and Transfer Agent shall agree on a case-by-case basis on whether a nominee account can be set-up or not in consideration of applicable anti-money laundering regulations.

Investors and Shareholders may subscribe for Shares in the Sub-Funds applying directly to the Company without having to act through one of the Distributors.

#### 4. **CONFLICTS OF INTEREST**

Subject to the provisions of this section, the Directors and each subsidiary, affiliate, associate, agent or delegate of the Directors, the Management Company, any Investment Manager (or Sub-Investment Manager), any Investment Advisor, the Custodian, the Central Administration, Paying Agent, Registrar and Transfer Agent, Domiciliary Agent, the Global Distributor (or any Distributor) and any Shareholder, as well as any director, officer, agent or affiliate or associate of these entities (each a "**Connected Person**") may contract or enter into any financial, banking or other transactions, for their own or for other accounts, with third parties, with one another or with the Company. This includes, without limitation, investment by the Company in securities of any Connected Person or investment by any Connected Persons in any company or bodies any of whose investments form part of the assets comprised in any Sub-Fund or be interested in any such contract or transactions. In addition, any Connected Person may invest in and deal in Shares relating to any Sub-Fund or any property of the kind included in the property of any Sub-Fund for their respective individual accounts or for the account of someone else.

Directors, officers, agents and Shareholders in the Company are or may be interested in the Global Distributor and its affiliated companies as directors, officers or shareholders and *vice versa*, directors, officers, shareholders and agents of the Global Distributor or its affiliated companies are or may be interested in the Company as directors, officers, Shareholders or otherwise. No person so interested shall be liable to account for any benefit to any other party by reason solely of such interest.

No contract or other transaction which the Company and any other company or firm might enter into shall be affected or invalidated by the fact that any one or more of the Directors or officers of the Company is interested in such other company or firm by a close relation, or is a director, officer or employee of such other company or legal entity, provided that the Company obliges itself to never knowingly sell or lend assets of the Company to any of its Directors or officers or any company or firm controlled by them.

In the event that any Director or officer of the Company may have any conflicting interest in any contract or transaction of the Company, such Director or officer shall make known to the board of directors of the Company such conflicting interest and shall not consider or vote upon any such contract or transaction. Such contract or transaction, and such Director's or officer's conflicting interest therein, shall be reported at the next succeeding general meeting of shareholder(s).

The provisions of the preceding paragraph are not applicable when the decisions of the board of directors of the Company concern day-to-day operations engaged at arm's length.

The expression "conflicting interest", as used above, shall not include any relationship with or without interest in any matter, position or transaction involving any affiliated or associated company of the Company, Assenagon Asset Management S.A. or Citigroup Global Markets Limited, or such other person, company or entity as may from time to time be determined by the board of directors in its discretion.

The Management Company, any Investment Manager and any Sub-Investment Manager or Investment Advisor may also, in the course of their business, have potential conflicts of interest with the Company in circumstances other than those referred to above. The Management Company, any Investment Manager and any Sub-Investment Manager or Investment Advisor will, however, have regard in such event to their obligations under the applicable laws and regulations and the relevant agreement appointing them, and, in particular, to its obligations to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients when undertaking any investments where conflicts of interest may arise and will ensure that such conflicts are resolved fairly as between the Company, the relevant Sub-Funds and other clients. The Management Company, any Investment Manager and any Sub-Investment Manager or Investment Advisor will ensure that investment opportunities are allocated on a fair and equitable basis between the Company and their other clients. In the event that a conflict of interest does arise the Directors will endeavour to ensure that such conflicts are resolved fairly.

The Management Company, any Investment Manager and any Sub-Investment Manager or Investment Advisor may purchase, on any Dealing Day, Shares of any Class at not less than the Subscription Price (in respect of a purchase from the Company) for Shares of the Class in question established as at the relevant Dealing Day.



5. **DISSOLUTION AND LIQUIDATION OF THE COMPANY**

The Company may at any time be dissolved by a resolution taken by an extraordinary general meeting of Shareholders subject to the quorum and majority requirements as defined in the Articles of Incorporation.

Whenever the capital falls below two thirds of the minimum capital as provided for by the UCI Law (except for during the period of six months from the creation of the Company) the Directors must submit the question of the dissolution of the Company to an extraordinary general meeting of Shareholders. The extraordinary general meeting, for which no quorum shall be required, shall decide on simple majority of the votes of the Shares present and represented at such meeting.

The question of the dissolution of the Company shall also be referred to an extraordinary general meeting of Shareholders whenever the capital falls below one quarter of the minimum capital. In such event, the extraordinary general meeting shall be held without quorum requirements, and the dissolution may be decided by the Shareholders holding one quarter of the votes present and represented at that meeting.

The meeting must be convened so that it is held within a period of forty (40) calendar days from when it is ascertained that the net assets of the Company have fallen below two thirds or one quarter of the legal minimum, as the case may be.

The issue of Shares shall cease on the date of publication of the notice of the extraordinary general meeting of Shareholders, to which the dissolution and liquidation of the Company shall be proposed.

One or more liquidator(s) shall be appointed by the extraordinary general meeting of Shareholders to realize the assets of the Company, subject to the approval of the CSSF and the best interests of Shareholders. The liquidation proceeds, net of all liquidation expenses, shall be distributed by the liquidator(s) among the Shareholders in accordance with their respective rights. The amounts not claimed by Shareholders at the end of the liquidation process shall be deposited, in accordance with Luxembourg law, with the *Caisse de Consignation* in Luxembourg until the applicable statutory limitation period has lapsed.

6. **TERMINATION OF A SUB-FUND AND/OR CLASS OF SHARES**

If more than one Sub-Fund and/or Class of Shares are offered, the Directors of the Company may decide at any time to terminate any Sub-Fund and/or Class of Shares. In the case of termination of a Sub-Fund and/or Class, Shares will be redeemed against cash at the Net Asset Value per Share determined on the Valuation Day (as such term is defined under Appendix D) as described in section 23.

In the event that for any reason (i) any Sub-Fund shall cease to be authorized or otherwise officially approved, (ii) the value of the total net assets in any Sub-Fund or the value of the net assets of any Class (if any) of Shares within a Sub-Fund has decreased to or has not reached an amount determined by the Board of Directors from time to time to be the minimum level for such Sub-Fund or Class of Shares to be operated in an economically efficient manner, (iii) if a change in the economic, monetary or political situation relating to the Sub-Fund concerned

would have potential material adverse consequences on the investments of that Sub-Fund, (iv) as a matter of economic rationalization, (v) if the derivative contracts entered into in respect of a Sub-Fund are terminated early, (vi) if the assets held in respect of a Sub-Fund are terminated or redeemed and the Board of Directors determines that it is not commercially practical to reinvest the realisation proceeds of such assets in replacement assets on terms that will enable the relevant Sub-Fund to achieve its investment objective and/or to comply with its investment policy, (vii) there is any material change in the tax status of the Company or any Sub-Fund in Luxembourg or in any other jurisdiction (including any adverse tax ruling by the relevant authorities in Luxembourg or any jurisdiction affecting the Company or any Sub-Fund) which the Board of Directors consider would result in material adverse consequences on the Shareholders and/or the investments of the Sub-Fund or (viii) any law or regulation is passed which renders it illegal or in the opinion of the Board of Directors, impracticable or inadvisable to continue the relevant Sub-Fund, the Board of Directors may decide to compulsorily redeem all the Shares of the relevant Sub-Fund and/or Classes issued in such Sub-Fund at the Net Asset Value per Share (taking into account actual realization prices of investments and realization expenses), determined on the Valuation Day on which such decision shall take effect. The Company shall serve a notice to the Shareholders of the relevant Sub-Funds and/or Classes of Shares prior to the effective date for such compulsory redemption, which will indicate the reasons for, and the procedure of, the redemption operations. The Company will give investors at least the minimum notice required by applicable law and regulation and will, where reasonably practicable, give one month's notice of such redemption.

The Board of Directors may decide to suspend any requests for subscription and/or redemption as from the moment of the decision by the competent body of the Company with regard to the termination of the relevant Sub-Fund and/or Class of Shares. For the avoidance of doubt, Shareholders may still transfer their Shares in accordance with the usual provisions of this Prospectus and the Articles of Incorporation after the notice mentioned in the paragraph above has been served.

In addition, the extraordinary general meeting of Shareholders of any one or all Classes of Shares issued in a Sub-Fund may, upon proposal from the Board of Directors, resolve to redeem all the Shares issued in such Sub-Fund or all Shares in the relevant Class of Shares of such Sub-Fund and refund to the Shareholders the Net Asset Value per Share of their Shares (taking into account actual realization prices of investments and realization expenses) determined on the Valuation Day on which such decision shall take effect. There shall be no quorum requirements for such extraordinary general meeting of Shareholders that shall decide by resolution taken by simple majority of the Shares present and/or represented.

Assets which may not be distributed to their beneficiaries upon the implementation of the redemption will be deposited with the Custodian for a period of six (6) months thereafter; after such period, the assets will be deposited with the *Caisse de Consignations* in Luxembourg on behalf of the persons entitled thereto.

All redeemed Shares shall be cancelled by the Company.

The liquidation of a Sub-Fund shall not involve the liquidation of another Sub-Fund. Only the liquidation of the last remaining Sub-Fund of the Company involves the liquidation of the Company.

**7. MERGER, DIVISION OR TRANSFER OF SUB-FUNDS AND/OR CLASSES OF SHARES**

The Board of Directors may decide, in accordance with the definitions and conditions set out in the UCI Law, to allocate all assets and liabilities of any Sub-Fund or Class of Shares to those of another existing Sub-Fund or Class of Shares within the Company or to another undertaking for collective investment organized under the provisions of Part I of the UCI law or to another sub-fund within such undertakings for collective investment and/or to re-designate the Classes of Shares concerned as shares of another 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 communicated in the same manner as described above under section 6 (and, in addition, the notice will contain information in relation to the new Sub-Fund or Class of Shares) in such a way to enable Shareholders to request redemption or conversion of their Shares, free of charge, during one (1) month (prior to the date on which the merger becomes effective) and provided that such period will terminate five Luxembourg Bank Business Days before the exchange ratio is calculated.

The Board of Directors may decide to suspend any requests for subscription and/or redemption during such period of time as it reasonably determines necessary or useful to implement these actions. For the avoidance of doubt, Shareholders may still transfer their Shares in accordance with the usual provisions of this Prospectus and the Articles of Incorporation after the notice mentioned in the paragraph above has been served.

Under the same circumstances as provided in the second paragraph of section 6, the Board of Directors may decide to reorganize a Sub-Fund or Class of Shares by means of a division into two or more Sub-Funds or Classes of Shares. Such decision will be communicated in the same manner as described above under section 6 (and, in addition, the notice will contain information about the two or more new Sub-Funds or Classes) one (1) month before the date on which the division becomes effective in order to enable the Shareholders to request redemption or conversion of their Shares free of charge during such period.

Notwithstanding the powers conferred to the Board of Directors by the preceding paragraphs, a merger or division of Sub-Funds or Classes of Shares within the Company may be decided upon by an extraordinary general meeting of Shareholders of the relevant Classes of Shares in the Sub-Fund concerned for which there shall be no quorum requirements and which will decide, upon such merger or division, by resolution taken by simple majority of the Shares present and/or represented.

A contribution of the assets and of the liabilities of any Sub-Fund or Class of Shares of the Company to another undertaking for collective investment referred to above or to a new Sub-Fund or Class of Shares shall require a resolution of the Shareholders of the Classes of Shares issued in the Sub-Fund concerned taken with fifty (50) per cent. Quorum requirement of the Shares in issue and adopted

at a two-third (2/3) majority of the Shares present or represented at such meeting, except when such a merger is to be implemented with a Luxembourg undertaking for collective investment of the contractual type ("*fonds commun de placement*") or a foreign based undertaking for collective investment, in which case resolutions shall be binding only on such Shareholders who have voted in favour of such merger.

#### 8. **MASTER – FEEDER STRUCTURES**

Under the conditions set forth in the UCI Law, the Board of Directors may, at any time it deems appropriate and to the widest extent permitted by applicable in Luxembourg laws and regulations, (i) create any Sub-Fund qualifying either as a feeder UCITS sub-fund or as a master UCITS sub-fund, (ii) convert any existing Sub-Fund into a feeder UCITS sub-fund or (iii) change the master UCITS of any of its feeder UCITS sub-funds.

#### 9. **GENERAL MEETINGS**

The annual general meeting of Shareholders will be held each year at the registered office of the Company on 27 April at 14h00 Luxembourg time (unless such date falls on a legal Luxembourg bank holiday, in which case it will be held on the next following Luxembourg Bank Business Day).

Shareholders of the relevant Sub-Fund or Class of Shares may hold, at any time, general meetings to decide on any matters which relate exclusively to the relevant Sub-Fund or Class.

Notices of all general meetings are sent by mail to all registered Shareholders at their registered address at least eight (8) calendar days prior to such meeting. Such notice will indicate the time and place of such meeting and the conditions of admission thereto, will contain the agenda and will refer to the requirements of Luxembourg law with regard to the necessary quorum and majorities at such meeting. To the extent required by Luxembourg law, further notices will be published in the *Mémorial* and in Luxembourg newspaper(s).

#### 10. **ANNUAL AND SEMI-ANNUAL REPORTS**

The Company's financial year will start on 1 January and end on 31 December of each year. As an exception to the foregoing, the Company's first financial year will start on the day of its incorporation and end on 31 December 2014.

The Annual Reports will be prepared in accordance with the generally accepted accounting principles applicable in Luxembourg (Lux GAAP).

Audited Annual Reports will be made available for public inspection at the registered office of the Company within four (4) months after the end of the financial year and the latest Annual Report shall be available at least eight (8) calendar days before the annual general meeting. The first Annual Report will be dated 31 December 2014 and made available to the Shareholders in good time for the annual general meeting to take place in 2015.

Unaudited Semi-Annual Reports will be available at the registered office of the Company within two (2) months after 30 June of each year. The first Semi-

Annual Report will be dated 30 June 2014 and made available within two (2) months of that date.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the Articles of Incorporation, this Prospectus, KIIDs, the Annual Reports and the Semi-Annual Reports will be available on the website: [www.funds.citi.com](http://www.funds.citi.com). Copies of these documents may also be inspected free of charge during usual business hours on any Luxembourg Bank Business Day at the registered office of the Company.

Paper copies may be delivered without cost to interested Investors upon their request.

**12. COMPETENT JURISDICTION AND APPLICABLE LAW**

The Luxembourg District Court is the place of performance for all legal disputes between the Shareholders and the Company. Luxembourg law applies. The English version of this Prospectus is the authoritative version and shall, to the fullest extent possible under applicable laws and regulations, prevail in the event of any inconsistency with any translation hereof.

Statements made in this Prospectus are based on the laws and practice in force at the date of this Prospectus in the Grand Duchy of Luxembourg and are subject to changes in those laws and practice.

**13. INVESTMENT OBJECTIVE OF THE COMPANY**

The main objective of the Company is to provide Shareholders with a choice of professionally managed Sub-Funds investing in a range of financial instruments permitted under Part I of the UCI Law, which may include Transferable Securities, Money Market Instruments and Financial Derivative Instruments (as specified in Appendix A) in order to achieve a return from capital invested, while reducing investment risk through diversification.

**14. INVESTMENT POLICIES**

The investment objective and policy of each Sub-Fund is described below in the relevant Annex to Appendix E. The Sub-Funds are managed in accordance with the investment restrictions specified in Appendix A, and the special investment and hedging techniques and instruments specified in Appendix B. The Company will provide the relevant Shareholders with at least one (1) month prior notice of any change in the investment policy of the relevant Sub-Fund.

The Directors may decide to create further Sub-Funds with different investment objectives, and in such cases, this Prospectus will be updated accordingly. The Directors shall maintain a separate pool of assets for each Sub-Fund.

As specified in Appendix B, and in accordance with applicable laws and regulations, including the UCI Law, each Sub-Fund may utilise financial techniques and instruments for investment purposes, hedging purposes and efficient portfolio management. Such investment strategies may include transactions in Financial Derivative Instruments. The Sub-Funds may also seek to use Financial Derivative Instruments and other financial instruments for efficient portfolio management and hedging purposes, for example in order to hedge their

investments against currency fluctuations which are adverse to the respective currencies in which these Sub-Funds are denominated.

The Company and the Management Company will use a risk-management process that enables them to monitor and measure the risk of the Sub-Funds' portfolio positions and their contribution to the overall risk profile of the Company in accordance with the requirements of the UCITS Directive. The Company will employ a process allowing for accurate and independent assessment of the value of Financial Derivative Instruments dealt in over-the-counter (the "**OTC Derivatives**").

The Company and the Management Company shall ensure that each Sub-Fund's global exposure relating to Financial Derivative Instruments is in accordance with the requirements of the UCITS Directive, the UCI Law and the implementing legislations, regulations and administrative guidances.

The Company offers the Sub-Funds listed in Appendix E of this Prospectus.

## 15. **GLOBAL EXPOSURE**

As with all UCITS funds, the Company must calculate the global exposure of its Sub-Funds on at least a daily basis. The Company is obliged to comply with the UCITS limits on global exposure on an ongoing basis.

The global exposure of each Sub-Fund is measured by the commitment approach, by the Value at Risk (VaR) approach or by any other advanced risk measurement methodology considered by the Company to be appropriate and subject to CSSF approval. Both the commitment approach and the VaR approach are widely used methods of measuring of the risk of loss on a specific portfolio of financial assets.

The method used to calculate the global exposure and the expected level of leverage as calculated in accordance with the applicable regulations for each Sub-Fund are set out in the relevant Annex to Appendix E.

## 16. **RISK FACTORS**

### 16.1 **Introduction**

**No investment should be made in the Shares unless and until all the risk factors indicated below, as well as any additional risk factors as may be included in respect of certain Sub-Funds in the relevant Annex to Appendix E, and any other relevant considerations, have been carefully considered by the Investor.**

The overview below is general in nature and is intended to describe various risk factors associated with an investment in the Shares. The attention of the Investors is specifically drawn to the following risk factors set out below. However, these are not intended to be exhaustive and there may be other considerations that should be taken into account in relation to an investment in the Shares. What factors will be relevant to the Shares in a particular Sub-Fund will depend upon a number of interrelated matters including, but not limited to, the nature of the Shares, the reference assets of the Sub-Fund, and the use of financial derivative instruments and hedging techniques by the Sub-Fund.

Circumstances giving rise to risk factors may occur simultaneously and/or may compound each other resulting in an unpredictable effect on the value of the Shares. No assurance can be given as to the effect that any combination of risk factors may have on the value of the Shares.

Investors should understand the risks associated with an investment in the Shares and should only reach an investment decision after careful consideration with their legal, tax, accounting, financial and other advisers of, amongst others, (i) the suitability of an investment in the Shares in the light of their own particular financial, fiscal and other circumstances, (ii) the information set out in this Prospectus, (iii) the nature of the reference assets of the relevant Sub-Fund, (iv) the risks associated with the use by the relevant Sub-Fund of financial derivative instruments and (v) the use by the relevant Sub-Fund of hedging techniques. Investors should also note that the legal, regulatory, tax and accounting treatment of the Shares can vary in different jurisdictions. Any descriptions of the Shares set out in this Prospectus (including any applicable Annex to Appendix E) are for general information purposes only.

An investment in the Shares involves risk. These risks may include or relate to, among others, equity market, bond market, foreign exchange, interest rate, credit, commodities, market volatility, legal, economic and political risk, risks linked to structured finance products or financial derivative instruments and any combination of these and other risks, whether disclosed herein or not. Some of these risks are briefly set out below. Investors should be experienced with respect to transactions in instruments such as the Shares, the reference assets, the use of financial derivative instruments and the use of hedging techniques.

The value of investments and the income from them, and therefore the value of and income from Shares relating to a Sub-Fund can go down as well as up and a Shareholder may not get back the amount he invests. An investment in Shares should be viewed as a medium to long term investment.

**No assurance can be given that the invested capital will be preserved, or that capital appreciation will occur. Investors and Shareholders should recognise that the Shares may decline in value and should be prepared to sustain a total loss of their investment.**

## 16.2 General

Although it is possible for the Company to use derivatives and to enter into other transactions with the aim to hedge risks, all Sub-Funds are subject to market or currency fluctuations, and to the risks inherent in all investments. The following is a general discussion of a number of risks which may affect the value of Shares. See also the section of the relevant Annex to Appendix E headed “Risk Factors” (if any) for a discussion of additional risks particular to a specific issue of Shares. Such risks are not, nor are they intended to be, exhaustive. Not all risks listed necessarily apply to each issue of Shares, and there may be other considerations that should be taken into account in relation to a particular issue. Factors that will be of relevance to a particular Sub-Fund (and impact the value of its Shares) will depend upon a number of interrelated matters including, but not limited to, the nature of the Shares, the reference asset (if applicable), the assets of the Sub-Fund and any derivatives linking the two.

Investors should determine whether an investment in the Shares of any Class is appropriate in their particular circumstances and should consult with their legal, tax, accounting, financial and other advisers to determine the consequences of an investment in the Shares of any Class and to arrive at their own evaluation of the investment. Investment in the Shares of any Class is only suitable for Investors or Shareholders who:

- (a) have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks associated with an investment in the Shares of the relevant Class;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of their financial situation; and
- (c) are capable of bearing the economic risk of an investment in the Shares of the relevant Class.

Investors should make their own independent decision to invest in the Shares of the relevant Class and as to whether an investment in the Shares of the relevant Class is appropriate or suitable to them based upon their own judgment and upon advice from such advisers as they may deem necessary. Investors should not rely on any information communicated (in any manner) by the Company or an Investment Manager or a Sub-Investment Manager or an Investment Advisor or any of their respective affiliates as investment advice or as a recommendation to invest in the Shares of the relevant Class, which shall include, amongst other things, any such information, explanations or discussions concerning the terms and conditions of the Shares of the relevant Class, or related features.

#### *Potential Conflicts of Interest*

Citigroup Global Markets Limited is expected to act as Global Distributor to the Company and it or its affiliates may be appointed to other roles in respect of the Sub-Funds. In addition, Citigroup Global Markets Limited may also act as counterparty to the Company under various Financial Derivative Instruments and other transactions. Each of Citigroup Global Markets Limited and its affiliates, acting in any such role, and the Board of Directors, the Management Company, the Custodian, the Central Administration, Paying Agent, Registrar and Transfer Agent, Domiciliary Agent, any Shareholder, any Investment Advisor, Investment Manager, Sub-Investment Manager or Distributor may undertake activities which may give rise to potential conflicts of interest including, but not limited to, financing or banking transactions with the Company or investing and dealing in Shares, other securities or assets (including sales to and purchases from the Company) of the kind included in the assets of the Sub-Funds or reference assets. For further information see section 4 "*Conflicts of Interest*" above and any "*Conflicts of Interest*" section in the relevant Annex to Appendix E.

The Board of Directors acknowledges that, by virtue of the functions which Citigroup Global Markets Limited and its affiliates ("**Citi Affiliates**") will perform in connection with the Company, potential conflicts of interest are likely to arise. In such circumstances, each Citi Affiliate has undertaken to use reasonable endeavours to resolve any such conflicts of interest fairly (having



regard to its respective obligations and duties) and to ensure that the interests of the Company and the Shareholders are not unfairly prejudiced.

Notwithstanding the above, the Board of Directors believes that these divergences or conflicts can be adequately managed, and expect that the Citi Affiliates will be suitable and competent to provide such services and will do so at no further cost to the Company over and above the cost if the services of a third party were engaged to provide such services.

#### *Legal and Regulatory*

The Company must comply with regulatory constraints or changes in the laws affecting it, the Shares, or the investment restrictions, which might require a change in the investment policy and objectives followed by a Sub-Fund. The assets of a Sub-Fund, its reference asset and the derivative techniques used to link the two may also be subject to change in laws or regulations and/or regulatory action which may affect their value.

Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, added a provision to the United States banking laws, commonly referred to as the "Volcker Rule", that generally prohibits certain banking entities (including Citigroup Global Markets Limited and its affiliates from engaging in proprietary trading or from acquiring or retaining an ownership interest in, or sponsoring or having certain relationships with, certain private funds("covered funds"), subject to certain exemptions..

The Company and each of the Sub-Funds have been established and are operated in a manner which is designed to enable each of the Sub-Funds to be outside the scope of being categorized as a covered fund or to qualify for an exemption from the definition of covered fund. However the Volker Rule is relatively new legislation and there is, as yet, little information or guidance on how the regulatory authorities will interpret and enforce its terms. Accordingly, there is no assurance that any Sub-Fund will be outside the scope of, or qualify for an exemption from the definition of, a covered fund as a result of such changes.

A Sub-Fund may be terminated if it is determined by the Board of Directors that such Sub-Fund is a covered fund and that it is, or will be, impracticable or inadvisable to continue operating the relevant Sub-Fund. Please refer to the section above headed "6. Termination of a Sub-Fund and-or Class of Shares". Absent such termination, if a Sub-Fund is determined to be a covered fund Citigroup Global Markets Limited and its affiliates may not be permitted to engage in certain transactions with such Sub-Fund. This could negatively affect the Sub-Fund and the Management Company's ability to manage its investments.

#### *Political Factors*

The performance of the Shares or the possibility to purchase, sell or redeem may be affected by changes in general economic conditions and uncertainties such as political developments, changes in government agencies, the imposition of restrictions on the transfer of capital and changes in regulatory requirements.

### *Break-up of the Euro-zone*

The functioning of the Euro as a single currency across the Euro-zone has sustained considerable pressure as the result of the recent global financial crisis. The situation, particularly in those countries where sovereign default is perceived to be most likely, may continue to deteriorate. It is possible that the Euro may as a result cease to be the national currency of some or even all of the countries currently comprising the Euro-zone. Any replacement of the Euro with another currency, whether in some or all of the countries currently comprising the Euro-zone, may cause large fluctuations in exchange rates and/or asset values and may result in the compulsory redenomination of assets, contracts, debts and other financial instruments in the affected country or countries.

### *The proposed financial transactions tax*

The European Commission recently published a proposal for a Directive for a common financial transaction tax ("FTT") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia. The tax would be applicable from 1 January 2014.

The proposed FTT has very broad, potentially extraterritorial scope. It would apply to financial transactions where at least one party is a financial institution, and (a) one party is established in a participating Member State or (b) the financial instrument which is subject to the transaction is issued in a participating Member State. A financial institution may be, or be deemed to be, "established" in a Member State in a broad range of circumstances.

In relation to many secondary market transactions in bonds and shares, the FTT would be charged at a minimum rate of 0.1% on each financial institution which is party to the transaction. The issuance and subscription of the Shares should, however, be exempt. There are no broad exemptions for financial intermediaries or market makers. Therefore, the effective cumulative rate applicable to some dealings in bonds or shares (for instance, cleared transactions) could be greatly in excess of 0.1%.

A person transacting with a financial institution which fails to account for FTT would be jointly and severally liable for that tax.

The FTT proposal remains subject to negotiation between the Member States, and may therefore be altered. Additional Member States may decide to participate. Prospective holders of the Shares are strongly advised to seek their own professional advice in relation to the FTT.

### *Consequences of a Liquidation*

In the event of liquidation of the Company or a Sub-Fund, whether voluntary or further to a bankruptcy, winding up or compulsory liquidation procedure, the value of the Shares may be less than the principal amount originally invested.

In the event of liquidation, a liquidator will be appointed who will be responsible for the liquidation of the assets of the Company or the relevant Sub-Fund and the settlement of any outstanding liabilities. Shareholders should be aware that the

distribution of the remainder of the liquidation proceeds (if any) may take considerable time.

#### *Limited Recourse Arrangements*

The Company may contract with parties on a "limited recourse" basis such that claims against the Company would be restricted to the assets of one or more particular Sub-Funds, or, as the case may be, to the assets of a particular Class of a Sub-Fund. However there is no guarantee that the Company will be able to contract on a limited recourse basis with respect to any agreements that the Company may enter into from time to time in relation to any particular Class or Sub-Fund.

#### *Limitation of Liability*

Shareholders should note that where an Investment Manager, a Sub-Investment Manager and/or an Investment Advisor is appointed in respect of a specific Sub-Fund, the liability of such Investment Manager, Sub-Investment Manager and/or Investment Advisor shall be limited to that specific Sub-Fund and that such liability and any rights or remedies available to the Company, the Investment Manager, Sub-Investment Manager and/or Investment Advisor under the terms of the relevant agreement shall be solely based in contract. Accordingly, Shareholders shall not have any recourse against the Investment Manager, Sub-Investment Manager and/or Investment Advisor.

### **16.3 Risks relating to the Shares**

The following factors may adversely affect the value of an investment in the Shares of a particular Sub-Fund. Further information relating to the risks inherent in the assets of a particular Sub-Fund can be found in the relevant Annex to Appendix E.

#### *Ring-Fencing*

The assets of each Sub-Fund are ring-fenced. As a matter of Luxembourg law, the assets of one Sub-Fund will not be available to meet the liabilities of another Sub-Fund. However, the Company may operate or have assets held on behalf of or be subject to claims in other jurisdictions which may not necessarily recognise such ring-fencing and, in such circumstances, the assets of one Sub-Fund may be exposed to the liabilities of another Sub-Fund.

Moreover, the assets of each Class of Shares within a Sub-Fund are not ring-fenced. There is no legal segregation of the assets and liabilities between Classes and there is no separate portfolio of assets held for each Class. Accordingly, if more than one Class of Shares has been issued and there is a shortfall attributable to one Class, this will adversely affect the other Classes of Shares issued in respect of the Sub-Fund.

#### *Custody Risk*

All assets of the Company comprising the portfolios of the various Sub-Funds, and any collateral held by the Company (as applicable) for those Sub-Funds, will

be held under the custody or supervision of the Custodian. The Custodian is authorised to use correspondent banks or sub-custodians. The institutions, including brokerage firms and banks, with which the Company (directly or indirectly) does business, or to which portfolio securities have been entrusted for custodial purposes, may encounter financial difficulties that impair the operational capabilities or the capital position of the Company. The Company intends to limit its securities transactions to well-capitalised and established banks and brokerage firms in an effort to mitigate such institutional risks.

Custody risk may also arise from the possibility that, to the detriment of a Sub-Fund, such Sub-Fund could be denied access, in whole or in part, to investments held in custody in case of bankruptcy, negligence, wilful misconduct or fraudulent activity on the part of the Custodian or a sub-custodian.

Furthermore, a Sub-Fund may invest in markets where custodian and/or settlement systems are not fully developed. The assets of the relevant Sub-Fund which are traded in such markets and which have been entrusted to sub-custodians, in circumstances where the use of such sub-custodians is necessary, may be exposed to risk in circumstances whereby the Custodian will have no liability.

### *Currency Risk*

#### *(a) General*

Risks associated with investments in reference asset(s) where the value or return includes currency conversions using one or more exchange rates include the risk that exchange rates may change (in certain circumstances significantly, including due to devaluation or revaluation of a currency) and the risk that government or monetary authorities with jurisdiction over a currency may impose or modify exchange controls (as some have done in the past).

The Reference Currency of each Sub-Fund, as well as the different Share Class Currencies, are specified in the relevant Annex to Appendix E.

Notwithstanding any currency hedging techniques which may be utilized by any Sub-Fund, changes in foreign currency exchange rates may affect the value of Shares, notably of those held in a Class denominated in a currency other than the Reference Currency of the relevant Sub-Fund.

Shareholders investing in a Sub-Fund in a currency other than in its Reference Currency should be aware that exchange rate fluctuations could cause the value of their investment to diminish or increase. Exchange rates between currencies are determined by factors of supply and demand in the international currency markets, which are influenced by macro economic factors (such as the economic development in the different currency areas, interest rates and international capital movements), speculation and central bank and government intervention.

### *(b) Hedged Classes of Shares*

With regard to any Hedged Classes of Shares that may be available from time to time, Investors and Shareholders should be aware that the hedging strategy employed by the Company will not, and should not be expected to, completely eliminate the exposure of Hedged Classes of Shares to currency fluctuations. Among other things, because the Net Asset Value of the Sub-Funds will fluctuate over time and the Net Asset Value of the Sub-Funds and the corresponding hedged amounts are calculated and adjusted only periodically, any currency risk related to changes in the Net Asset Value of the Sub-Funds that is not determined or reflected at the time the forward currency contracts are entered into will remain unhedged. Although the Company will keep the hedging transactions relating to Hedged Classes of Shares under review, under-hedged and over-hedged positions may from time to time occur. Furthermore, the use of hedging strategies may substantially limit Shareholders in the relevant Hedged Class of Shares from benefiting with respect to favourable currency fluctuations in relation to the Reference Currency of the relevant Sub-Fund. All costs and gains/losses of hedging transactions are borne by the Shareholders of the respective Hedged Classes of Shares.

### *Interest Rates*

Interest rates are determined by factors of supply and demand in the international money markets which are influenced by macro economic factors, speculation and central bank and government intervention. Fluctuations in short term and/or long term interest rates may affect the value of the Shares. Fluctuations in interest rates of the currency in which the Shares are denominated and/or fluctuations in interest rates of the currency or currencies in which the reference asset and/or the hedging asset are denominated may affect the value of the Shares, the Sub-Fund assets and/or the reference assets, the products used for efficient portfolio management or the techniques used to link the net proceeds of any issue of Shares to the Sub-Fund asset(s), where applicable.

### *Inflation*

Inflation reduces the purchasing power of a Shareholder's investment and income. The rate of inflation and the general development of price levels will affect the value and/or yield of the investments of the Sub-Funds and the actual rate of return on the Shares. A reference asset may reference the rate of inflation.

Certain countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have very negative effects on the economies and securities markets (both public and private) of certain countries. There can be no assurance that high rates of inflation in certain countries will not have a material adverse effect on the investments of a particular Sub-Fund.

### *Correlation and Yield*

The Shares may not correlate either perfectly or highly with movements in the value of Sub-Fund assets and/or the reference asset. Furthermore, it may not be

possible to liquidate the Shares at a price which directly reflects the value of the Sub-Fund assets. Returns on Shares may not be directly comparable to the yields which could be earned if any investment were instead made in any underlying Sub-Fund assets or reference asset.

### *Volatility*

The value of the Shares may be affected by market volatility and/or the volatility of the Sub-Fund assets and/or the reference asset.

Market volatility reflects the degree of instability and expected instability of the performance of the Shares, the Sub-Fund assets and/or the reference assets, or the techniques used to link the net proceeds of any issue of Shares to the Sub-Fund asset(s), where applicable. The level of market volatility is not purely a measurement of the actual volatility, but is also determined by the prices for instruments which offer investors protection against such market volatility. The prices of these instruments are determined by forces of supply and demand in the markets generally. These forces are, themselves, affected by factors such as actual market volatility, expected volatility, macro economic factors and speculation.

### *Dilution Levy*

Investors and Shareholders should note that in certain circumstances a Dilution Levy may be applied on their purchase or redemption of Shares. Where a Dilution Levy is applied, this will reduce the amount of a Shareholder's subscription for Shares in a Sub-Fund/Class or reduce the amount of the redemption proceeds received from a redemption of Shares in a Sub-Fund/Class (as the case may be).

If a Dilution Levy is not applied, the Sub-Fund/Class in question may still incur dilution which may constrain capital growth. However, Investors should note that, even in cases where a Dilution Levy is charged, the Net Asset Value of a Sub-Fund/Class may still be affected by dilution.

### *Credit Risk*

The ability of the Company to make payments to Shareholders in respect of the Shares will be diminished to the extent of any other liabilities undertaken by, or imposed on, the Company. Any assets of the relevant Sub-Fund, its reference asset or derivative techniques used to link the two may involve the risk that the issuer of such asset or the counterparty to such arrangements may default on any obligations to perform thereunder.

The credit risk attached to an issuer or counterparty may be evidenced by such entity's credit rating. Securities which are subordinated and/or have a lower credit rating are generally considered to have a higher credit risk and a greater possibility of default than more highly rated securities.

In the event that any issuer of assets or counterparty to financial derivative instruments of the relevant Sub-Fund experiences financial or economic difficulties, this may affect the value of the relevant assets or instruments (which

may be zero) and any amounts paid on such assets or instruments (which may be zero). This may in turn affect the Net Asset Value per Share. Investors in any Sub-Fund with an indirect investment policy should be aware that the hedging asset for such Sub-Fund, where applicable, will generally include bonds or other debt instruments that involve credit risk. Moreover, where such Sub-Fund provides for a capital protection feature, the functioning of such feature will often be dependent on the due payment of the interest and principal amounts on the bonds or other debt instruments in which the Sub-Fund is invested as a hedging asset.

#### *Liquidity Risk*

Certain types of assets or securities may be difficult to buy or sell, particularly during adverse market conditions. This may affect the ability to obtain prices for the components of the reference assets and collateral, and may therefore affect the value of the reference assets. This may in turn affect the Net Asset Value per Share.

#### *Leverage*

The Sub-Fund's assets, reference asset and the derivative techniques used to link the two may comprise elements of leverage (or borrowings) which may potentially magnify losses substantially and may result in losses greater than if the Sub-Fund's asset, reference asset or derivative technique was not leveraged, and potentially losses greater than the amount borrowed or invested.

#### *Capital Protection*

Shares may be expressed to be fully or partially protected. In certain circumstances, such protection may not apply. Shareholders may be required to hold their Shares until maturity in order fully to realise the maximum protection available. Shareholders should read the terms of any protection with great care. Specifically, it should be noted that, unless otherwise expressly provided, it is unlikely that protection levels will be based on the price at which Shareholders may purchase the Shares in the secondary market (if any).

Even where the Shares contain some form of capital protection feature via the investment in the hedging asset (where applicable, such form of capital protection feature will be described in the relevant Annex to Appendix E), the protection feature may not be fully applicable to the initial investment made by an Investor in the Shares, especially (i) when the purchase, sale or subscription of the Shares does not take place during the Initial Offer Period, (ii) when Shares are redeemed or sold before their maturity date (if any) or (iii) when the hedging asset or the techniques used to link the hedging asset to the reference asset fail to deliver the expected returns.

#### *Path Dependency*

Shares may be linked to products which are path dependent. This means that any decision or determination made (whether pursuant to the exercise of a discretion, in consequence of an error or otherwise) can have a cumulative effect and may result in the value of such product over time being significantly different from the

value it would have been had the decision been made or discretion been exercised in an alternative manner.

### *Share Subscription and Redemption*

The Company, in its discretion, may limit the amount of Shares available for subscription or redemption on any Dealing Day and, in conjunction with such limitations, to defer or pro rata such subscription or redemption. This limitation may have the effect of preventing an Investor from freely subscribing, holding, trading and/or redeeming the Shares.

In addition, where requests for subscription or redemption are received late, there may be a delay between the time of submission of the request and the actual date of subscription or redemption. Such deferrals or delays may operate to decrease the number of Shares or the redemption amount to be received.

In addition to the features described below, such restrictions may also be caused by specific requirements such as the Minimum Initial Investment, the Minimum Shareholding, the Dilution Levy and the Redemption Commission.

If the Shares are subject to provisions concerning delivery of a redemption notice, as mentioned under “Redemption of Shares” of the Prospectus and/or in the relevant Annex to Appendix E, and such notice is received by the Registrar and Transfer Agent after the Redemption Deadline, it will not be deemed to be duly delivered until the next following Dealing Day. Such delay may increase or decrease the Redemption Price from what it would have been but for such late delivery of the redemption notice.

### *Listing*

Shares may be listed without being admitted to trading. There can be no certainty that a listing on any stock exchange applied for by the Company for a Class of Shares will be achieved and/or maintained.

#### *(a) Liquidity and secondary trading*

Even though the Shares are listed on one or more stock exchanges, there can be no certainty that there will be liquidity on a stock exchange or that the market price at which the equity securities may be traded on a stock exchange will be the same as the Net Asset Value per Share. There can be no guarantee that once the equity securities are listed on a stock exchange they will remain listed or that the conditions of listing will not change.

Trading in equity securities on a stock exchange may be halted due to market conditions or because in the stock exchanges’ view, trading the equity securities is inadvisable. In addition, trading in the equity securities may be subject to a halt in trading caused by extraordinary market volatility pursuant to stock exchanges’ rules. If trading on a stock exchange is halted, investors in equity securities may not be able to sell their equity securities until trading resumes. This may have a negative effect on the performance of the Sub-Fund.



*(b) Variation of Net Asset Value per Share and Trading Prices on the Secondary Market*

The Net Asset Value per Share will fluctuate with changes in the market value of the reference asset, the derivative techniques used and where applicable the hedging asset and changes in the exchange rate between the reference currency or, if different, the listing currency of a Share and any relevant foreign currency of such reference asset and/or hedging asset. The market price of the Shares will fluctuate in accordance with the changes in the Net Asset Value per Share and the supply and demand on the stock exchange on which the Shares are listed. The Company cannot predict whether the Shares will trade below, at or above their Net Asset Value per Share. Price differences may be due, in large part, to the fact that supply and demand forces in the secondary market for the Shares will be closely related, but not identical to the same forces influence the trading prices of the reference asset and where applicable the hedging asset, individually or in the aggregate, at any point in time. Furthermore, the listing on multiple exchanges of the Shares may result in price differences between such exchanges because of fiscal, regulatory or other market forces.

*Market risk*

Market risk may affect all investments to the extent that the value of a particular investment could change in a way that is detrimental to a Sub-Fund's interests due to factors beyond the reasonable control of the Company. In particular, the value of investments may be affected by uncertainties such as international political and economic developments or changes in government policies.

*Nominee Arrangements*

Where a Shareholder invests in Shares via a Distributor and/or a nominee or holds interests in Shares through a clearing system, such Shareholder will typically not appear on the register of shareholders of the Company and may not therefore be able to exercise voting or other rights available to those persons appearing on the register of shareholders.

**16.4 Risks relating to the Investment Policies of Sub-Funds tracking a Reference Asset**

The risks described in this section are specific to Sub-Funds whose investment policies consist in the tracking of one or more reference assets.

*Specific Risks Relating to Sub-Funds with a Direct Investment Policy*

*(a) General*

A Sub-Fund with a direct investment policy is not expected to track its relevant reference asset with the same degree of accuracy as an investment vehicle that is entirely invested in every underlying asset. However, it is intended that the difference between the performance of the Shares of the Sub-Fund (before the Sub-Fund's fees and expenses are taken into account) and the performance of the reference asset will not be substantial. Investors

should note that exceptional circumstances, such as, but not limited to, disruptive market conditions or extremely volatile markets, may arise which cause a Sub-Fund's tracking accuracy to be substantially different from the performance of the reference asset. Also, there can be a delay between the recomposition occurring within the reference asset and the investments made by a Sub-Fund. Due to various constraints, the Sub-Fund may require more time to recompose its portfolio which can substantially affect the Sub-Fund's degree of tracking accuracy which can be different from the reference asset. Additionally, for certain Sub-Funds, due to the composition of each of their reference assets, it may not be practically possible, for example because of the Sub-Fund's investment restrictions, to achieve such level of tracking accuracy.

*(b) Tracking Error*

The following factors may adversely affect the tracking by a Sub-Fund of its reference asset:

- the Sub-Fund must pay various fees and expenses, while the reference asset does not reflect any expenses;
- in certain of the Sub-Funds the assets held by those Sub-Funds may not be identical to the underlying assets, but will be chosen to give similar performance; their investment performance is therefore likely to differ from that of the underlying assets. In such cases, the assets of the Sub-Fund may not mirror the exact composition of the reference asset or may be less diversified than the reference asset;
- the sum of all investments in the portfolio of a Sub-Fund, including the notional of any derivative transactions it has entered into might be higher or lower than its Net Asset Value as adjustments to the portfolio may not be practicable because of restrictions on trade sizes or other reasons;
- investments in assets other than the reference asset may give rise to delays or additional costs and taxes or higher exposure to price movements compared to an investment in the reference asset;
- a Sub-Fund must comply with regulatory constraints, such as the investment restrictions, that do not affect the calculation of a Sub-Fund's corresponding reference asset;
- the fluctuation in value of assets of the relevant Sub-Fund;
- the existence of uninvested assets in the Sub-Funds (including cash and deferred fees and expenses); and
- where applicable, any differences between the maturity date of the Shares and the maturity date of the reference asset of the relevant Sub-Fund; and
- that a Sub-Fund may be subject to a different foreign withholding tax than that assumed by its reference asset (where applicable).

Although each Sub-Fund's tracking accuracy will be monitored on a regular basis, there can be no assurance as to the accuracy with which any Sub-Fund will track the performance of its reference asset.

*Specific Risks relating to Sub-Funds with an Indirect Investment Policy*

The following factors may adversely affect the value of the Shares of Sub-Funds with an indirect investment policy (i.e. those Sub-Funds which invest in Financial Derivative Instruments with the aim of replicating the performance of a particular reference asset (such as an index)):

- the Sub-Funds must pay various expenses, such as fees, costs, taxes, commissions, charges and dividends (if applicable);
- for certain Sub-Funds, the mark-to-market value of the Financial Derivative Instruments used by those Sub-Funds to link their performance to that of the reference asset may differ from time to time from the mark-to-market value of the reference asset. Under such circumstances, the investment performance of these Sub-Funds is therefore likely to differ from that of the underlying assets.
- the sum of all investments in the portfolio of a Sub-Fund, including the notional of any derivative transactions it has entered into might be higher or lower than its Net Asset Value as adjustments to the portfolio may not be practicable because of restrictions on trade sizes or other reasons;
- the Company must comply with regulatory constraints, such as the investment restrictions, that may lead to a restructuring of the Sub-Funds' investments;
- the Sub-Funds may not always be continuously exposed to the reference asset;
- the Sub-Funds may bear the risks associated to the hedging asset (if any), which include bonds or other debt instruments that involve credit risk;
- the Company will enter into derivative contracts with a maturity date which may be different from the (expected) lifetime of the Sub-Fund. There can be no assurance that any new derivative contracts entered into will have terms similar to those previously entered into; and
- the existence of a cash position held by the Sub-Funds.

*Reference Asset Calculation and Substitution*

In certain circumstances described in the relevant Annex to Appendix E, the reference asset may cease to be calculated or published on the basis described or such basis may be altered or the reference asset may be substituted.

There is no assurance that a reference asset will continue to be calculated and published on the basis described in this Prospectus or that it will not be amended significantly. Any change to the reference asset may adversely affect the value of

the Shares. The past performance of a reference asset is not necessarily a guide to its future performance.

*No Investigation or Review of Reference Asset(s)*

None of the Company, the Management Company, any Investment Advisor or Investment Manager or Sub-Investment Manager or any of their affiliates have performed or will perform any investigation or review of the reference asset on behalf of any Investor in the Shares. Any investigation or review made by or on behalf of the Company, the Management Company, any Investment Advisor or Investment Manager or Sub-Investment Manager or any of their affiliates is or shall be for their own proprietary investment purposes only.

Reference asset(s) may include other assets which involve substantial financial risk such as distressed debt, low quality credit securities, forward contracts and deposits with commodity trading advisors (in connection with their activities).

*Assets held in currencies other than the Reference Currency*

Assets held by a Sub-Fund may be denominated in currencies other than the Reference Currency. Changes in non-Reference Currency exchange rates may therefore affect the value of such assets held in that Sub-Fund either beneficially or adversely.

*Temporary Defensive Position*

A Sub-Fund may significantly deviate from its investment policy as a temporary defensive strategy. A defensive strategy will be employed only if, in the judgement of the relevant Investment Manager, investments in that Sub-Fund's usual markets or types of securities become decidedly unattractive because of current or anticipated adverse economic, financial, political and social factors. Generally, a Sub-Fund will remain fully invested, and the relevant Investment Manager will not attempt to time the market. However, if a significant adverse market action is anticipated, investment-grade debt securities may be held without limit as a temporary defensive measure. Normally, the Sub-Funds will not purchase any securities with a view to quick turnover for gains. At such time as the relevant Investment Manager determines that a Sub-Fund's defensive strategy is no longer warranted, it will adjust the relevant Sub-Fund back to its normal complement of assets as soon as practicable. When the Sub-Fund is invested defensively, it may not meet its investment objective.

## **16.5 Risks relating to a Sub-Fund's Assets**

The following factors relating to a Sub-Fund's assets may adversely affect the value of the Shares in that Sub-Fund, and particularly those Shares in Sub-Funds with an indirect investment policy (i.e. those Sub-Funds which invest in Financial Derivative Instruments with the aim of replicating the performance of a particular reference asset (such as an index)). Further information relating to the risks inherent in the assets of a particular Sub-Fund can be found in the relevant annex to Appendix E.

### *Valuations*

The assets of each Sub-Fund, the reference asset (if applicable) or the derivative techniques used to link the two may be complex and specialist in nature.

Valuations for such assets or derivative techniques will only usually be available from a limited number of market professionals which frequently act as counterparties to the transactions to be valued. Such valuations are often subjective and there may be substantial differences between any available valuations.

Investors in the Shares should be aware that such an investment involves assessing the risk of an investment linked to the reference asset and, where applicable, the hedging asset, and the techniques used to link the hedging asset to the reference asset or the techniques used to link the net proceeds of any issue of Shares to the reference asset(s). Investors should be experienced with respect to transactions which involve the purchase of shares whose value derives from a reference asset (possibly in combination with a hedging asset).

The value of the reference asset and the hedging asset and the value of the techniques used to link them and the techniques used to link the net proceeds of any issue of Shares to the reference asset(s) may vary over time and may increase or decrease by reference to a variety of factors which may include, amongst others, corporate actions, macro-economic factors and speculation. Where the reference asset is a basket of securities or one or more indices, the changes in the value of any one security or index may be offset or intensified by fluctuations in the value of other securities or indices which comprise such constituents of the reference asset or by changes in the hedging asset itself.

### *Interest Rate Fluctuations*

Fluctuations in interest rates of the currency or currencies in which the Shares, the Sub-Fund's assets and/or the reference asset are denominated may affect financing costs and the real value of the Shares.

Risks associated with investments in reference asset(s) where the value or return is calculated by reference to one or more interest rates include the risk of changes in and volatility in the relevant interest rates and the level of interest rates generally which are affected by economic, political and market conditions.

### *Pooled Investment Vehicles*

Hedge funds, mutual funds and similar investment vehicles operate through the pooling of investors' assets. Investments are then invested either directly into assets or are invested using a variety of hedging strategies and/or mathematical modeling techniques, alone or in combination, any of which may change over time. Such strategies and/or techniques can be speculative, may not be an effective hedge and may involve substantial risk of loss and limit the opportunity for gain. It may be difficult to obtain valuations of products where such strategies and/or techniques are used and the value of such products may depreciate at a greater rate than other investments. Pooled investment vehicles are often unregulated, make available only limited information about their operations, may

incur extensive costs, commissions and brokerage charges, involve substantial fees for investors (which may include fees based on unrealised gains), have no minimum credit standards, employ high risk strategies such as short selling and high levels of leverage and may post collateral in unsegregated third party accounts.

### *Settlement*

The trading and settlement practices of some of the stock exchanges or markets on which a relevant Sub-Fund may invest may not be the same as those in more developed markets, which may increase settlement risk, market failure and/or result in delays in realising investments made by a Sub-Fund. Those exchanges and markets may also have substantially less volume and generally be less liquid than those in more developed markets. In addition, a Sub-Fund will be exposed to credit risk on parties with whom it trades and will bear the risk of settlement default. The Custodian may be instructed by the Management Company to settle transactions on a delivery free of payment basis where the Management Company believes and the Custodian agrees that this form of settlement is common market practice. Shareholders should be aware, however, that this may result in a loss to a relevant Sub-Fund if a transaction fails to settle and the Custodian will not be liable to the relevant Sub-Fund or to the Shareholders for such a loss.

Trading on such stock exchanges or markets may involve certain special risks, including risks associated with political and economic uncertainty, adverse governmental policies, restrictions on foreign investment and currency convertibility, currency exchange rate fluctuations, possible lower levels of disclosure and regulation, and uncertainties as to the status, interpretation and application of laws, including, but not limited to, those relating to expropriation, nationalisation and confiscation.

### *Investment in Equity Securities*

Where a Sub-Fund invests substantially all of its assets in equity securities, a primary risk is that the value of the equity securities it holds may decrease in response to the activities of an individual company or in response to general market, business and economic conditions. If this occurs, the price of the Shares will also decrease.

#### *(a) Small companies*

Equity securities of smaller companies involve greater risk than those of larger, more established companies. This is because smaller companies may be in earlier stages of development, may be dependent on a small number of products or services, may lack substantial capital reserves and/or do not have proven track records. Smaller companies may be more adversely affected by poor economic or market conditions, and may be traded in low volumes, which may increase volatility and liquidity risks.

*(b) New companies*

The Sub-Funds, subject to their respective investment objective and policies, may invest in new companies, many of which will be small companies. New companies may have inexperienced management, limited access to capital, and higher operating costs than established companies. New companies may be less able to deal successfully with or survive adverse circumstances such as economic downturns, shifts in investor sentiment, or fierce competition. The Sub-Funds may buy securities of new companies through initial public offerings or private placements. Initial public offerings are subject to high volatility and are of limited availability; the Sub-Funds' ability to obtain allocations of initial public offerings is subject to allocation by members of the underwriting syndicate to various clients and allocation by the Investment Manager or Sub-Investment Manager among its clients. Investments in private placements may be difficult to sell at the time and at the price desired by the Sub-Funds; companies making private placements may make less information available than publicly offered companies; and privately placed securities are more difficult to value than publicly traded securities. These factors may have a negative effect on the performance of the Sub-Funds.

*(c) Listed companies*

Where equity securities are listed on one or more stock exchanges there can be no certainty that there will be liquidity on a stock exchange or that the market price at which the equity securities may be traded on a stock exchange will be the same as the Net Asset Value per Share. There can be no guarantee that once the equity securities are listed on a stock exchange they will remain listed or that the conditions of listing will not change.

Trading in equity securities on a stock exchange may be halted due to market conditions or because in the stock exchanges' view, trading the equity securities is inadvisable. In addition, trading in the equity securities may be subject to a halt in trading caused by extraordinary market volatility pursuant to stock exchanges' rules. If trading on a stock exchange is halted, investors in equity securities may not be able to sell their equity securities until trading resumes. This may have a negative effect on the performance of the Sub-Fund.

*Credit Linked Risks*

Investments in reference asset(s) where the return is linked to the credit of one or more reference entities are exposed in whole or in part to the credit risk of those reference entities.

*Commodities*

Prices of commodities are influenced by, among other things, various macro economic factors such as changing supply and demand relationships, weather conditions and other natural phenomena, agricultural, trade, fiscal, monetary, and exchange control programmes and policies of governments (including government intervention in certain markets) and other unforeseeable events.

### *Structured Finance Securities*

Structured finance securities include, without limitation, asset-backed securities and credit-linked securities, which may entail a higher liquidity risk than exposure to sovereign or corporate bonds. Certain specified events and/or the performance of assets referenced by such securities, may affect the value of, or amounts paid on, such securities (which may in each case be zero).

Structured finance securities are usually issued in different tranches: any losses realised in relation to the reference assets or, as the case may be, calculated in relation to the reference credits are allocated first to the securities of the most junior tranche, until the principal of such securities is reduced to zero, then to the principal of the next lowest tranche, and so forth.

Accordingly, in the event that (a) in relation to asset-backed securities, the reference assets do not perform and/or (b) in relation to portfolio credit-linked notes, any one of the specified credit events occurs with respect to one or more of the reference assets or reference credits, this may affect the value of the relevant securities (which may be zero) and any amounts paid on such securities (which may be zero). This may in turn affect the Net Asset Value per Share. In addition, the value of structured finance securities from time to time, and consequently the Net Asset Value per Share, may be adversely affected by macro economic factors such as adverse changes affecting the sector to which the reference assets or reference credits belong (including industry sectors, services and real estate), economic downturns in the respective countries or globally, as well as circumstances related to the nature of the individual assets (for example, project finance loans are subject to risks connected to the respective project). The implications of such negative effects thus depend heavily on the geographic, sector-specific and type-related concentration of the reference assets or reference credits. The degree to which any particular asset-backed security or portfolio credit-linked note is affected by such events will depend on the tranche to which such security relates; junior tranches, even having received investment grade rating, can therefore be subject to substantial risks.

In the absence of a liquid market for the respective structured finance securities, they may only be traded at a discount from face value and not at their fair value, which may in turn affect the Net Asset Value per Share.

### *Investment in Emerging Markets*

Exposure to emerging markets assets generally entails greater risks than exposure to well-developed markets, including potentially significant legal, economic and political risks.

Certain emerging market countries have in the past failed to recognize private property rights and have at times nationalized and expropriated the assets of private companies. Investments in emerging markets companies are speculative and subject to special risks. Political and economic structures in many of these countries may be in their infancy and developing rapidly. Such countries may also lack the social, political and economic characteristics of more developed countries. The currencies of certain emerging market countries have experienced a steady devaluation relative to the Euro, and continued devaluations may



adversely affect the value of a Sub-Fund's assets denominated in such currencies. Many emerging market countries have experienced substantial rates of inflation for many years, and continued inflation may adversely affect the economies and securities markets of such countries.

In addition, unanticipated political or social developments may affect the values of the Sub-Fund's investments in emerging market countries and the availability to those Sub-Funds of additional investments in these countries. The small size, limited trading volume and relative inexperience of the securities markets in these countries may make those Sub-Funds' investments in such countries illiquid and more volatile than investments in more developed countries, and those Sub-Funds may be required to establish special custodial or other arrangements before making investments in these countries. There may be little financial or accounting information available with respect to issuers located in these countries, and it may be difficult as a result to assess the value or prospects of an investment in such issuers.

In many foreign countries there is less government supervision and regulation of business and industry practices, stock exchanges, brokers and listed companies than in the EU. There is an increased risk, therefore, of uninsured loss due to lost, stolen, or counterfeit equity securities certificates. Prior governmental approval of non-domestic investments may be required under certain circumstances in some developing countries, and the extent of foreign investment in domestic companies may be subject to limitation in other developing countries. Foreign ownership limitations also may be imposed by the articles of incorporation of individual companies in developing countries to prevent, among other concerns, violation of foreign investment limitations. Repatriation of investment income, capital and proceeds of sales by foreign investors may require governmental registration and/or approval in some developing countries. The relevant Sub-Funds could be adversely affected by delays in or a refusal to grant any required governmental registration or approval for such repatriation.

Further, the economies of certain developing countries may be dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be adversely affected by economic conditions in the countries with which they trade.

Sub-Funds investing in emerging markets are expected to incur operating expenses that are higher than those of UCIs investing exclusively in developed countries, since expenses such as custodial fees related to foreign investments are usually higher in emerging market countries. Similarly, brokerage commissions on purchases and sales of foreign securities are generally higher.

It is important to note that, during times of global economic slowdown, emerging market exchange rates, securities and other assets are more likely than other forms of investment with lower risks to be sold during any "flight to quality", and their value may decrease accordingly.

### *Investments in Derivatives*

All or a portion of a Sub-Fund's investments may consist of financial derivative instruments, to provide exposure to a reference asset, to reduce risks or costs or to generate additional capital or income. Specific Sub-Funds may use more complex derivative investment instruments. The use of derivatives by each Sub-Fund is set out in more detail in the relevant Annex to Appendix E.

Generally, derivative instruments are financial contracts whose value depends upon, or is derived from, the value of a reference asset, reference rate or index, and may relate to, amongst other things, stocks, bonds, commodities, leveraged loans, high yield debt securities, interest rates, currencies or currency exchange rates and related indices. Examples of derivative instruments which a Sub-Fund may use include, without limitation, options contracts, futures contracts, options on futures contracts, swap agreements (including credit swaps, credit default swaps, on swap agreements, straddles, forward currency exchange contracts and structured notes).

A Sub-Fund's use of derivative instruments involves risks different from, and, in certain cases, greater than, the risk associated with investing directly in the reference asset. The following sets out some key risk factors that Investors and Shareholders should understand and consider in relation to derivative instruments.

#### *(a) Management Risk*

Derivative instruments are highly specialised instruments that require investment techniques and risk analysis different from those associated with securities. The use of a derivative instrument requires an understanding not only of the reference asset but also of the derivative instrument itself, without the benefit of observing the performance of the derivative instrument under all possible market conditions.

#### *(b) Counterparty risk*

The Sub-Funds may enter into transactions in over-the-counter markets, which will expose the Sub-Funds to the credit of its counterparties and their ability to satisfy the terms of such contracts. For example, the Sub-Funds may enter into repurchase agreements, forward contracts, options and swap arrangements or other derivative techniques, each of which expose the Sub-Funds to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of a bankruptcy or insolvency of a counterparty, the Sub-Funds could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Company seeks to enforce its rights on behalf of the Sub-Funds, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights.

There is also a possibility that the above agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening

illegality or change in the tax or accounting laws relative to those at the time the agreement was originated.

The counterparties under the various OTC and efficient portfolio management techniques transactions will provide the Sub-Funds with collateral in order to mitigate this counterparty risk in accordance with the applicable laws and regulations. Please refer to Appendix B for the Company's collateral policy.

*(c) Unlisted instruments*

For unlisted instruments such as OTC Derivatives, where two parties contract directly rather than through an exchange, a Sub-Fund will usually have a contractual relationship only with the counterparty of such unlisted instrument and not the reference obligor on the reference obligation. The Sub-Fund generally will have no right directly to enforce compliance by the reference obligor with the terms of the reference obligation nor any rights of set-off against the reference obligor, may be subject to set-off rights exercised by the reference obligor against the counterparty or another person or entity, and generally will not have any voting or other contractual rights of ownership with respect to the reference obligation.

OTC Derivatives, are complex and often valued subjectively and the valuation can only be provided by a limited number of market professionals which often are acting as counterparties to the transaction to be valued. Inaccurate valuations can result in increased cash payment requirements to counterparties or a loss of value to a Sub-Fund.

The Sub-Fund will not directly benefit from any collateral supporting the reference obligation and will not have the benefit of the remedies that would normally be available to a holder of such reference obligation. In addition, in the event of the insolvency of the counterparty, the Sub-Fund will be treated as a general creditor of such counterparty, and will not have any claim with respect to the reference obligation. Consequently, the Sub-Fund will be subject to the credit risk of the counterparty as well as that of the reference obligor. As a result, concentrations of OTC Derivatives entered into with any one counterparty will subject the Sub-Fund to an additional degree of risk with respect to defaults by such counterparty as well as by the reference obligor. Additionally, while the relevant Investment Manager or Sub-Investment Manager will expect that the returns on an OTC Derivative will generally reflect those of the related reference obligation, as a result of the terms of the OTC Derivative and the assumption of the credit risk of the OTC Derivative counterparty, an OTC Derivative may have a different expected return, a different (and potentially greater) probability of default and expected loss characteristics following a default, and a different expected recovery following default.

Additionally, when compared to the reference obligation, the terms of an OTC Derivative may provide for different maturities, distribution dates, interest rates, interest rate references, credit exposures, or other credit or non-credit related characteristics. Upon maturity, default, acceleration or any other termination (including a put or call) other than pursuant to a credit

event (as defined therein) of the OTC Derivative, the terms of the OTC Derivative may permit or require the issuer of such OTC Derivative to satisfy its obligations under the OTC Derivative by delivering to the relevant Sub-Fund securities other than the reference obligation or an amount different than the then current market value of the reference obligation.

*(d) Liquidity risk*

Liquidity risk exists when a particular derivative instrument or security is difficult to purchase or sell, which may affect its value. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.

*(e) Market and Other Risks*

Like other investments, derivative instruments are subject to the risk that the market value of the instrument will change in a way detrimental to a Sub-Fund's interests. While some strategies involving derivative instruments can reduce the risk of loss, they can also reduce the opportunity for gain or even result in losses.

*(f) Reinvestment of Collateral*

Any cash collateral received by a Sub-Fund in the context of Financial Derivative Instruments may be reinvested in accordance with the terms and provisions of Appendix B. Any reinvestment of cash collateral is subject to the risks attached to the asset class in which the collateral is reinvested.

*Index as Reference Asset*

Where the reference asset consists of an index, it may not be actively managed and the selection of the component indices, assets or securities will be made in accordance with the relevant index composition rules and eligibility criteria and not by reference to any performance criteria or performance outlook. Accordingly, the composition of the index may not be designed to follow recommendations or research reports issued by the index sponsor, its affiliates or any other person. No index sponsor has any obligation to take the needs of the Company or the investors into consideration in determining, composing or calculating any reference asset.

The compilation and calculation of an index or portfolio will generally be rules based, account for fees and include discretions exercisable by the index sponsor or the relevant Investment Manager or Sub-Investment Manager. Methodologies used for certain proprietary indices are designed to ensure that the level of the index reaches a pre-determined level at a specified time. However, this mechanism may have the affect of limiting any gains above that level. Continuous protection or lock-in features designed to provide protection in a falling market may also result in a lower overall performance in a rising market.

The Sub-Funds may invest in indices developed by index sponsors, which may be third parties. In no case will the index sponsor be under an obligation to maintain or calculate the index. The index sponsor may decide to cancel or cease to calculate the index without notice. The index sponsor does not assume any obligation or duty to any party, save as may be provided for in writing pursuant to a transaction between that party and the index sponsor relating to the index, and under no circumstances does an index sponsor assume any relationship of agency or trust of a fiduciary nature for or with any party.

## **17. FORM OF SHARES**

Shares can be issued in registered form only. Shares shall be registered in the register of Shareholders. The inscription of the Shareholder's name in the register of Shareholders evidences his/her/its right of ownership to such registered Shares. The Company shall not issue certificates for such inscription, but each Shareholder shall receive a written confirmation of his/her/its shareholding. The Company treats the registered owner of a Share as the absolute and beneficial owner thereof.

Upon issue, Shares are entitled to participate equally in the profits and dividends of the Sub-Funds as well as in their liquidation proceeds. Shares do not carry any preferential or pre-emptive rights and each Share is entitled to one vote at all general meetings of Shareholders. Fractions of Shares are not entitled to a vote, but are entitled to participate in the distribution and liquidation proceeds. Shares are issued without par value and must be fully paid for on subscription.

Upon the death of a Shareholder, the Board of Directors reserves the right to require the provision of appropriate legal documentation in order to verify the rights of all and any successors in title to Shares.

## **18. ISSUE OF SHARES**

During the Initial Offer Period, Shares may be issued at a fixed price as further set out in section 20.9. Thereafter, Shares will be issued at a price based on the Net Asset Value per Share plus a Subscription Commission as set out in sub-section 20.9 and/or a Dilution Levy as set out in section 26.

Fractions of Shares up to four (4) decimal places will be issued, the Company being entitled to receive the adjustment.

It should be remembered that the Net Asset Value per Share can go down as well as up. A Shareholder may not get back the entire amount he/she/it has invested, particularly if Shares are redeemed soon after they are issued and the Shares have been subject to charges. Changes in exchange rates may also cause the Net Asset Value per Share in the Shareholder's base currency to go up or down. None of the Company, the Management Company, any Investment Manager, any Sub-Investment Manager, any Investment Advisor, any Director nor any of their advisors can give a guarantee as to the future performance of or the future return from the Company.

No Shares will be issued by the Company during any period in which the determination of the Net Asset Value of the Shares in the Sub-Funds is suspended by the Company, as noted under section headed "*Temporary Suspension of*

*Determination of Net Asset Value per Share and issue or redemption of Shares*" in Appendix D, or during any period when a significant proportion of the markets on which the Sub-Funds invest are closed.

## **19. CLASSES OF SHARES**

The Company will offer Classes of Shares to Investors for the Sub-Funds listed in Appendix E, which will invest in accordance with their respective investment policies, as described herein. Certain Classes of Shares may only be sold to certain groups of Investors.

The amounts invested in all the Classes (if any) in each Sub-Fund are invested in a common underlying portfolio of investments.

In addition, the Board of Directors may, to the extent permitted in the relevant Annex to Appendix E of this Prospectus, employ techniques and instruments from time to time in order to provide a Sub-Fund or Class with protection against movements of one currency against other currencies. Where a Class of Shares is denominated in a currency other than the Reference Currency of the relevant Sub-Fund, the Board of Directors shall at the time of creation of such Class determine if such Class of Shares shall be constituted as a Hedged Class of Shares, which may be created for each Sub-Fund. The Net Asset Value of any Hedged Class of Shares will reflect the costs and gains/losses of any hedging transactions relating to the relevant Hedged Class of Shares.

When entering into Financial Derivative Instruments or other transactions specifically relating to one or more Classes of Shares, the Board of Directors may enter into limited recourse agreements to limit the recourse of the counterparties to such transactions to the Classes of Shares concerned.

The Board of Directors may decide to create further Classes within a Sub-Fund, which may differ in, *inter alia*, their fee structure, Share Class Currency, dividend policy, type of target investors and/or other features, and in such cases, this Prospectus will be updated accordingly.

The Board of Directors may amend the names of any Sub-Funds (or any Classes of Shares in the Sub-Fund) without the approval of the Shareholders in the relevant Sub-Fund.

The Classes of Shares for each Sub-Fund are indicated in the relevant Annex to Appendix E of this Prospectus.

## **20. SUBSCRIPTION FOR SHARES**

### **20.1 Subscription Procedure**

An Investor's first subscription for Shares must be signed and made in writing by post or by fax (with the original to follow immediately by post) to the Registrar and Transfer Agent in Luxembourg as indicated in the Subscription Form. Subsequent subscriptions for Shares must also be signed and may be made in writing, by mail or by fax. Joint Investors/Shareholders must both sign the Subscription Form unless a power of attorney, in a form acceptable to the Company, is provided.

The Board of Directors reserves its discretionary right to reject any specific subscription, either in whole or in part.

The Board of Directors may further decide in its sole discretion to refuse, for one or more Sub-Fund(s), any subscription for a determined or undetermined period of time. If a Suspension of Subscriptions concerns both existing and new Shareholders, the Company will indicate such Suspension of Subscriptions in the next following Annual Report or Semi-Annual Report, as the case may be, for the whole duration of the Suspension of Subscriptions.

For the avoidance of doubt, it is expressly stated that the Suspension of Subscriptions does not entail the liquidation of the Sub-Fund concerned which will only be closed for additional subscriptions (of existing and/or new Shareholders, as the case may be).

The Minimum Initial Investment for all Classes in each Sub-Fund is as set out in the relevant Annex to Appendix E of this Prospectus. The Board of Directors may, in its sole discretion, waive or modify such minimum limits.

Subscription applications for Shares received by the Registrar and Transfer Agent in Luxembourg before the Fund Subscription Deadline will be processed on the relevant Dealing Day indicated in respect of each Sub-Fund in the relevant Annex to Appendix E on the Net Asset Value per Share as determined on such Dealing Day, based on the latest available prices in Luxembourg (as described in Appendix D), provided that the Registrar and Transfer Agent has received all required documentation pursuant to anti-money laundering regulations.

Once received by the Registrar and Transfer Agent, subscription applications for shares will be processed in the manner specified in the relevant Annex to Appendix E of this Prospectus.

Any subscription request received by the Registrar and Transfer Agent after the Fund Subscription Deadline on any Dealing Day, or on any day that is not a Dealing Day, will be processed on the next relevant Dealing Day indicated in respect of each Sub-Fund in the relevant Annex to Appendix E on the basis of the Net Asset Value per Share determined on such Dealing Day.

The Company may restrict or prevent the ownership of Shares by any US Persons and/or any person, firm or corporate body if in the opinion of the Company such holding may be detrimental to the Company or the existing Shareholders, may result in a breach of any applicable law or regulations (whether Luxembourg or foreign) or may expose the Company or its Shareholders to liabilities (to include, inter alia, regulatory or tax liabilities) or any other disadvantages that it or they would not have otherwise incurred or been exposed to. Such persons, firms or corporate bodies shall be determined by the Board of Directors in its sole discretion (the “**Prohibited Persons**”). In addition, no Shares may be held by a FATCA Prohibited Investor.

The Company is neither registered under the United States Securities Act of 1933, as amended, nor under the United States Investment Company Act of 1940, as amended. Accordingly, its Shares may not be offered or sold, directly or indirectly, in the United States, or to US Persons.

Accordingly, the Company may require any Investor or Shareholder to provide it with any information that it may consider necessary for the purpose of deciding whether or not it is, or will be, a Prohibited Person, an Institutional Investor or a FATCA Prohibited Investor.

The Company may issue Shares as consideration for a contribution in kind of securities, which correspond to the investment policy of the relevant Sub-Fund, in compliance with the conditions set forth by Luxembourg law, in particular the obligation to obtain a valuation report from the Company's auditor. In such a situation, the fees and costs incurred in the relation with the contribution in kind above-mentioned will be borne by the relevant Shareholder. The number of Shares to be issued in such a situation shall be not more than that number which would have been issued had payment been in cash. The Board of Directors shall consider whether the terms of any such allotment are such as would result in any material prejudice to existing Shareholders.

## **20.2 Payment Procedure**

Payments for Shares must be received by the Settlement Date indicated for each Sub-Fund in the relevant Annex to Appendix E. The normal currency of payment for Shares will be the Share Class Currency of the Class concerned. An Investor or Shareholder may, however, with the agreement of the Central Administration, effect payment to the Custodian in any other freely convertible currency. The Central Administration will arrange, on the Valuation Day concerned, for any necessary currency transaction to convert the subscription monies from the Subscription Currency into the Share Class Currency of the relevant Class. Any such currency transaction will be effected at the Investor's or Shareholder's cost and risk. Currency exchange transactions may however delay any issue of Shares since the Central Administration may choose in its discretion to delay the execution of any foreign exchange transaction until cleared funds have been received by it.

Subscription instructions accompany this Prospectus and may also be obtained from either the Registrar and Transfer Agent in Luxembourg, the Global Distributor or a Distributor.

Shares are normally only issued on receipt of cleared funds. In the case of subscriptions from approved Distributors appointed by the Global Distributor, the issue of Shares is conditional upon the receipt of settlement in cleared funds by the Settlement Date (as detailed in the relevant Annex to Appendix E). If timely payment for Shares is not made and the Company has already issued Shares to the relevant Investor, the issue of Shares may be cancelled, and an Investor or Shareholder may be required to compensate the Company and/or any relevant Distributor for any loss incurred in relation to such cancellation. Alternatively, where no Shares have yet been issued, the Company may treat the relevant payment as timely payment in respect of an application for Shares made for the next relevant Dealing Day indicated in respect of each Sub-Fund in the relevant Annex to Appendix E following receipt of such monies or of cleared funds. In such cases an Investor or Shareholder may be required to compensate the Company and/or any relevant Distributor for any losses incurred.



### **20.3 Notification of Transaction**

A contract note will be sent to the Investor or Shareholder (or its nominated agent if so requested by the Investor or Shareholder) by fax as soon as reasonably practicable after the relevant Valuation Day, providing full details of the transaction. Investors and Shareholders should always check this contract note to ensure that the transaction has been accurately recorded.

Shareholders will be given a personal Account Number on acceptance of their initial subscription, and this, together with the Shareholder's personal details, is proof of their identity to the Company. The Account Number should be used by the Shareholder for all future dealings with the Company, a correspondent bank, the Registrar and Transfer Agent in Luxembourg, the Global Distributor and any Distributor (as appointed from time to time).

Any changes to the Shareholder's personal details must be notified immediately either to the Registrar and Transfer Agent in Luxembourg, the Global Distributor or to the relevant Distributor, who will, if necessary, inform the Registrar and Transfer Agent in writing. Failure to do so may result in the delay of an application for any type of transaction. The Company reserves the right to require an indemnity or other verification of title or claim to title countersigned by a bank, stockbroker or other party acceptable to it before accepting such changes.

If any subscription is not accepted in whole or in part, the subscription monies or the balance outstanding will be, subject to applicable laws, returned without delay to the Investor or Shareholder by post or bank transfer at the Investor or Shareholder's risk without any interest.

### **20.4 Rejection of Subscriptions**

The Company, or the Registrar and Transfer Agent acting on behalf of the Company, may reject any subscription in whole or in part, and it may, at any time and from time to time and in its absolute discretion without liability and without notice, discontinue the issue and sale of Shares in any Class in any one or more Sub-Fund(s).

### **20.5 Suspension of Net Asset Valuation**

No Shares will be issued by the Company with respect to a particular Sub-Fund during any period in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended by the Company pursuant to the powers contained in the Articles of Incorporation and as indicated in Appendix D under "*Temporary Suspension of Determination of Net Asset Value per Share and issue or redemption of Shares*".

Notice of suspension will be given to Shareholders, and subscriptions made or pending during a suspension period may be withdrawn by notice in writing received by the Registrar and Transfer Agent prior to the end of the suspension period. Subscriptions not withdrawn will be processed on the first Valuation Day following the end of the suspension period, on the basis of the Net Asset Value per Share determined on such Valuation Day.

## 20.6 Money Laundering Prevention

Pursuant to the Luxembourg law of 12 November 2004 relating to the fight against money-laundering and the financing of terrorism as amended from time to time and the relevant circulars of the CSSF, obligations have been imposed on, *inter alia*, UCIs, management companies and other professionals of the financial sector to prevent the use of UCIs for money laundering purposes. In this context a procedure for the identification of Investors has been imposed. Namely, the Subscription Form of an Investor must be accompanied, in the case of individuals, by a copy of the Investor's passport or identification card (any such copy must be certified to be a true copy of the original by an independent authority such as an ambassador, consul, notary or police officer).

In the case of legal entities, a copy of the Investor's articles of incorporation and, where applicable, an extract of the commercial register (any such copy must be certified to be a true copy of the original by an independent authority such as an ambassador, consul, notary or police officer) is required. This identification procedure must be complied with by the Central Administration (or the relevant competent agent of the Central Administration) in the case of direct subscriptions to the Company, and in the case of subscriptions received by the Company from any Distributor or other intermediary resident in a country that does not impose on such intermediary an obligation to identify Investors equivalent to that required under Luxembourg laws for the prevention of money laundering. The Registrar and Transfer Agent, acting on behalf of the Company, may require additional documentation at any time relevant to a subscription request.

Failure to provide proper documentation may result in the delay of opening the account and placing the subscription.

Any information provided to the Company in this context is collected for anti-money laundering compliance purposes only.

## 20.7 Late Trading

The Company determines the price of the Shares on a forward basis. This means that it is not possible to know in advance the Net Asset Value per Share at which Shares will be subscribed or redeemed (exclusive of any charges). Subscription applications have to be received and will be accepted for each Sub-Fund only in accordance with the deadlines laid down in sub-section 20.1.

## 20.8 Market Timing

The Sub-Funds are not designed for investors with short-term investment horizons. Activities which may adversely affect the interests of the Company's Shareholders (for example that disrupt investment strategies or impact expenses) such as market timing or the use of the Company as an excessive or short term trading vehicle are not permitted.

While recognizing that Shareholders may have legitimate needs to adjust their investments from time to time, the Board of Directors in its sole discretion may, if it deems that such activities adversely affect the interests of the Company's Shareholders, take action as appropriate to deter such activities.

Accordingly, if the Board of Directors determines or suspects that a Shareholder has engaged in such activities, it may suspend, cancel, reject or otherwise deal with that Shareholder's subscription or conversion applications and take any action or measures as appropriate or necessary to protect the Company and its Shareholders.

## 20.9 **Subscription Commissions and Dilution Levy**

The Subscription Price per Share in each Class will be:

- (a) during the Initial Offer Period, a fixed price determined by the Board of Directors;
- (b) after the Initial Offer Period, equal to the applicable Net Asset Value per Share plus a Subscription Commission of up to six (6) per cent of the NAV per share and, where applicable, a Dilution Levy of up to two (2) per cent, such amount being rounded to a maximum of two decimal places of the unit of currency in which the relevant Shares are designated.

Any Subscription Commission and/or Dilution Levy that is applied is not included in the calculation of the Net Asset Value per Share and will reduce the amount of the subscription for Shares in a Sub-Fund/Class.

The circumstances in which a Dilution Levy will be charged are described in section 26 "Dilution Levy".

The Subscription Commission may be paid, at the entire discretion of the Company to the Global Distributor. The Global Distributor may in turn decide that such Subscription Commission will be paid directly to any Distributor and will advise the Central Administration accordingly. The balance of the subscription payment, after deduction of the applicable Subscription Commission, will be applied to purchase the Shares.

All related taxes, commissions and other fees incurred will also be charged.

For the avoidance of doubt, the Subscription Commission will only apply in the event of a subscription of Shares.

## 21. **COMPANY CHARGES**

### 21.1 **General**

#### *Management Fee*

The Company on behalf of a specific Sub-Fund will pay in respect of each Class a management fee (the "**Management Fee**") out of the assets of such Sub-Fund attributable to such Class.

The Management Fee shall cover the Management Company's own fees and expenses, as well as those of any Investment Manager (if any), any Sub-Investment Manager or Investment Advisor (if any), the Global Distributor and/or any other Distributors and any other delegates and service providers appointed by the Management Company.

Particulars of the Management Fee payable in relation to a specific Class of a specific Sub-Fund are set out in the relevant Annex to Appendix E. Any shortfall between the Management Fee and the fees and expenses to be covered thereunder will be covered by the Global Distributor (as agreed upon between the Global Distributor, the Company and the Management Company).

For the avoidance of doubt, the Management Fee shall not cover the fees and/or expenses of the Central Administration, Registrar and Transfer Agent and Domiciliary Agent or any other costs and expenses described below under the heading "*Other Costs and Expenses*".

#### *Other Costs and Expenses*

The Company on behalf of a specific Sub-Fund will also pay, in respect of each Class, other costs and expenses (the "**Other Costs and Expenses**") out of the assets of such Sub-Fund attributable to such Class. The Other Costs and Expenses shall cover *inter alia* the costs and expenses incurred by the Company in setting up and maintaining such Sub-Fund, the fees and expenses of the Custodian and Paying Agent and any of its delegates, the Central Administration, Registrar and Transfer Agent, Domiciliary Agent and any of its delegates, the listing agent (if any), the Directors, the Global Distributor (if applicable), the auditors, tax and legal advisers, attorneys and/or any permanent representatives in the places of registration of the Company or the Sub-Fund.

Particulars of the Other Costs and Expenses payable in relation to a specific Class of a specific Sub-Fund are set out in the relevant Annex to Appendix E. Any shortfall between the Other Costs and Expenses and the costs and expenses to be covered thereunder will be covered by the Global Distributor (as agreed upon between the Global Distributor, the Company and the Management Company).

The Other Costs and Expenses shall also include:

- Operational costs and fees from efficient portfolio management techniques:

In accordance with the Company's policy regarding the direct and indirect operational costs arising from efficient portfolio management techniques as set out in further detail in Appendix B, the revenue arising from efficient portfolio management techniques, net of direct and indirect operational costs, shall be returned to the Company for the benefit of the Sub-Fund to be reinvested in accordance with that Sub-Fund's investment policy.

Direct and indirect operational costs that may be deducted from the revenues delivered to such Sub-Fund may cover stock lending fees, repurchase or reverse repurchase costs.

Indirect costs and fees may be paid to the counterpart(y/ies) with which the Sub-Fund contracts to apply efficient portfolio management techniques.

- Various Other Costs and Expenses:

Out of the Other Costs and Expenses, the Company may also pay other expenses incurred in relation to the operation of the Company which include,

without limitation, the costs of publication of the Net Asset Value per Share of the Sub-Fund and other data (if applicable), taxes and VAT, company secretarial fees, any costs incurred in respect of general meetings of Shareholders, marketing and distribution costs, investment transaction charges, costs incurred in respect of the distribution of income to the Shareholders, the fees and expenses of any paying agent or representative appointed in compliance with the requirements of another jurisdiction, any amount payable under indemnity provisions contained in the Articles of Incorporation, this Prospectus or any other agreement with any appointee of the Company, all sums payable in respect of Directors' and officers' liability insurance cover, brokerage or other expenses of acquiring and disposing of investments, and fees connected with any proposed listings of Shares and maintaining such listings and registering the Shares for sale in other jurisdictions and the annual subscription tax.

The costs of printing and distributing this Prospectus, KIIDs, reports, accounts and any explanatory memoranda, any necessary transaction fees, and any costs incurred as a result of periodic updates of this Prospectus, or of a change in law or the introduction of any new law (including any costs incurred as a result of compliance with any applicable code, whether or not having the force of law) may also be paid out of the Other Costs and Expenses.

The aforementioned fees, costs, expenses, duties and charges will be charged to the Sub-Fund in respect of which they were incurred. In the case of any fees or expenses of a regular or recurring nature, such as audit fees, the Directors may calculate such fees and expenses on an estimated figure for yearly or other periods in advance and accrue the same in equal proportions over any period.

## **21.2 Formation expenses**

The costs of establishing the Company, obtaining authorization from any authority, filing fees, the preparation and printing of this Prospectus, the fees and costs of all professionals relating to it, will be borne by Citigroup Global Markets Limited.

The costs of establishing further Sub-Funds may be charged to the relevant Sub-Fund. Such costs may be amortised in accordance with the applicable accounting rules indicated under section 10 of this Prospectus.

## **21.3 Allocation of costs and expenses**

The level of fees payable out of the assets of each Sub-Fund is further detailed in the relevant Annex to Appendix E.

The allocation of costs and expenses will be made in accordance with the Articles of Incorporation of the Company.

## **22. CONVERSION OF SHARES**

### **22.1 Introduction**

Shares in any Class in any Sub-Fund can be converted into any Class of the same Sub-Fund or any other Sub-Fund, subject to the provisions of this section 22 and the relevant Annex(es) to Appendix E.

### **22.2 Conversion Commission**

Upon each conversion of Shares, a Conversion Commission may be levied. For the avoidance of doubt, such Conversion Commission replaces the Redemption Commission of the original Shares and the Subscription Commission of the new Shares.

### **22.3 Dilution Levy**

A conversion may be subject to a Dilution Levy of up to two (2) per cent, although no Subscription Commission or Redemption Commission will be payable on a conversion. The circumstances in which a Dilution Levy will be charged are described in section 26 "Dilution Levy".

### **22.4 Procedure for Conversion**

Shareholders may convert all or part of their Shares in an Original Sub-Fund, including Shares in an Original Class into Shares of one or more New Sub-Fund(s) (which may include the Original Sub-Fund) and in particular into Shares in a New Class of the New Sub-Fund, by application in writing, by mail or by fax to the Registrar and Transfer Agent in Luxembourg stating which Shares are to be converted into which Sub-Fund(s)/Classes.

The application for conversion must include either (i) the monetary amount in the Share Class Currency the Shareholder wishes to convert or (ii) the number of Shares the Shareholder wishes to convert and (iii) which Shares are to be converted into which Sub-Fund(s) or Classes. In addition, the application for conversion must include the Shareholder's personal details together with its Account Number(s).

The application for conversion must be duly signed by the registered Shareholder, save in the case of joint registered Shareholders where an acceptable power of attorney has been provided to the Company and the Registrar and Transfer Agent.

Failure to provide any of this information may result in delay of the application for conversion.

Shareholders should note that if an application for conversion relates to a partial conversion of an existing holding of Shares and the remaining balance within the existing holding is below the Minimum Shareholding as detailed in sub-section 24.1, the Company will convert the entire existing holding of Shares.

Applications for conversion received by the Registrar and Transfer Agent in Luxembourg before the relevant Fund Conversion Deadline, (as specified in the relevant Annex to Appendix E of this Prospectus), will be processed on the

relevant Dealing Day indicated in respect of each Sub-Fund in the relevant Annex to Appendix E.

The rate at which Shares shall be converted will be determined by reference to the respective Net Asset Values of the relevant Shares and taking into account the Conversion Commission and/or Dilution Levy (if applicable), calculated on the relevant Dealing Day indicated in respect of each Sub-Fund in the relevant Annex to Appendix E.

## **22.5 Notification of Transaction**

As soon as reasonably practicable following such conversion of Shares, the Registrar and Transfer Agent will inform the Shareholder concerned, by a contract note sent by fax or ordinary post, of the number of Shares of the New Sub-Fund or New Class obtained by conversion and the price thereof. Shareholders should check this contract note to ensure that the transaction has been accurately recorded.

Fractions of Shares in the New Sub-Fund or New Class up to four (4) decimal places will be issued, the Company being entitled to receive the adjustment.

## **23. TRANSFER OF SHARES**

Shares may not be transferred to Prohibited Persons (which includes, for the avoidance of doubt, US Persons) or to FATCA Prohibited Investors. Moreover, a transfer of Shares shall only be effective after the Company reflects the name of the transferee within the Company's register of Shareholders.

## **24. REDEMPTION OF SHARES**

### **24.1 Limitations on redemptions**

Shares may be redeemed either in whole or in part on any Dealing Day at a Redemption Price calculated on the basis of the Net Asset Value per Share determined in the manner as set-out under sub-section 24.4 below, subject to any application for redemption being above any minimum amount which may be specified in relation to a particular Sub-Fund and set out in the relevant Annex to Appendix E.

If any request to the Company to repurchase Shares of any Class shall reduce the number of shares of the relevant Class held by the Shareholder below any Minimum Shareholding set by the Board of Directors, such request may be treated by the Directors as a request to repurchase the Shareholder's entire holding. The foregoing shall not prevent a redemption of the whole of a holding of Shares of any Class less than the Minimum Shareholding nor shall this paragraph apply in circumstances where as a result of the Company exercising its rights to scale down any redemption requests, a Shareholder's holding of Shares is reduced below the Minimum Shareholding.

### **24.2 Redemption Mechanics**

Redemptions will be effected at the Net Asset Value per Share of the relevant Sub-Fund/Class, less any applicable redemption commission of up to six (6) per cent and/or Dilution Levy of up to two (2) per cent, such amount being rounded

to a maximum of two (2) decimal places of the unit of currency in which the relevant Shares are designated.

On payment of the Redemption Price, the corresponding Shares will be cancelled immediately in the Company's share register. Any taxes, commissions and other fees incurred in the respective countries in which the Shares are redeemed will be charged.

Moreover, redemptions of a Hedged Class of Shares will be effected at the equivalent in the Share Class Currency of such Hedged Class of Shares of such Redemption Price based on the applicable Net Asset Value per Share of such Hedged Class as adjusted for hedging gains and losses applicable to such Hedged Class of Shares. The conversion in the Share Class Currency of the relevant Hedged Class of Shares will be made at the exchange rate available at the time of the payment of the Redemption Price for the redeemed Shares.

#### **24.3 Redemption Commission and Dilution Levy**

No Redemption Commission will be levied unless otherwise specified in the relevant Annex to Appendix E for one or more Sub-Fund(s).

The circumstances in which a Dilution Levy will be charged are described in section 26 "Dilution Levy".

Any Redemption Commission and/or Dilution Levy that is applied is not included in the calculation of the Net Asset Value per Share of the relevant Sub-Fund/Class and in such case (i) the redemption proceeds will be reduced by the amount of the Redemption Commission and/or Dilution Levy in the case of redemption orders specifying the number of Shares the relevant Shareholder wishes to redeem or (ii) more Shares will be redeemed in the case of redemption orders specifying the amount in the Share Class Currency the Shareholder wishes to redeem.

#### **24.4 Procedure for Redemption**

Shareholders wishing to have all or some of their Shares redeemed by the Company may apply to do so in writing, by mail or by fax to the Registrar and Transfer Agent in Luxembourg or to the Global Distributor or a Distributor, if any.

The application for redemption of any Shares must include either (i) the monetary amount in the Share Class Currency the Shareholder wishes to redeem or (ii) the number of Shares the Shareholder wishes to redeem.

In addition, the application for redemption must include the Shareholder's personal details together with its Account Number. Failure to provide any of the aforementioned information may result in delay of such application for redemption whilst verification is being sought from the Shareholder.

Applications for redemption will be considered by the Company as irrevocable and must be duly signed by all registered Shareholders, save in the case of joint



registered Shareholders where an acceptable power of attorney has been provided to the Company and the Registrar and Transfer Agent.

Redemption applications for Shares received by the Registrar and Transfer Agent in Luxembourg before the Fund Redemption Deadline, (as specified in the relevant Annex to Appendix E of this Prospectus) will be processed on the relevant Dealing Day indicated in respect of each Sub-Fund in the relevant Annex to Appendix E. Payments will be made by the Settlement Date indicated in the relevant Annex to Appendix E.

Once received by the Registrar and Transfer Agent, applications for redemptions of Shares will be processed in the manner specified by the relevant Annex to Appendix E of this Prospectus.

The Redemption Price per Share in each Sub-Fund may be higher or lower than the Subscription Price paid by the Shareholder, depending on the Net Asset Value per Share of the relevant Sub-Fund at the time of redemption.

Any application for redemption received by the Registrar and Transfer Agent on any Dealing Day after the Fund Redemption Deadline or on any day that is not a Dealing Day, will be processed on the next relevant Dealing Day indicated in respect of each Sub-Fund in the relevant Annex to Appendix E on the basis of the Net Asset Value per Share determined on such Dealing Day.

The Company shall ensure that the Sub-Funds have at all times enough liquidity to satisfy any redemption request. If the redemption and conversion requests equal or exceed ten (10) per cent of the net assets of the relevant Sub-Fund, the Company may decide, pursuant to section 25, to delay the execution of such applications until the corresponding amount of assets of the Sub-Fund have been realized (without any unnecessary delay).

#### **24.5 Compulsory Redemption**

If the Company discovers at any time that Shares are owned by a Prohibited Person, a FATCA Prohibited Investor or a non-institutional investor (if applicable), either alone or in conjunction with any other person, whether directly or indirectly, the Directors may at their discretion and without liability, compulsorily redeem the Shares at the Redemption Price as described above after giving notice of at least one (1) month, and upon redemption, the Prohibited Person, the FATCA Prohibited Investor or the non-institutional investor (if applicable) will cease to be the owner of those Shares. The Company may require any Shareholder to provide it with any information that it may consider necessary for the purpose of determining whether or not such owner of Shares is or will be a Prohibited Person, a FATCA Prohibited Investor or a non-institutional investor (if applicable).

#### **24.6 Temporary Suspension of Redemption**

The right of any Shareholder to require the redemption of its Shares will be suspended during any period in which the determination of the Net Asset Value per Share is suspended by the Board of Directors pursuant to the powers described in Appendix D. Notice of the suspension period will be given to any

Shareholder tendering Shares for redemption. The withdrawal of an application for redemption will only be effective if written notification is received by the Registrar and Transfer Agent before the termination of the period of suspension, failing which the Shares concerned will be redeemed on the first Valuation Day following the end of the suspension period on the basis of the Net Asset Value per Share determined on such Valuation Day.

**25. SIGNIFICANT SUBSCRIPTIONS, REDEMPTIONS AND CONVERSIONS**

**25.1 Subscription Applications Representing (in aggregate) Ten (10) per cent or More of NAV**

If the Board of Directors determines that it would be detrimental to the existing Shareholders of the Company to accept a subscription for Shares in a Sub-Fund that represents ten (10) per cent or more of the net assets of that Sub-Fund, then it may postpone the acceptance of such subscription and, in consultation with the incoming Shareholder, may require it to stagger its proposed subscription over an agreed period of time.

**25.2 Redemption Applications Representing (in aggregate) Ten (10) per Cent or More of NAV**

If any application for redemption or conversion is received in respect of any one Dealing Day, which either singly or when aggregated with other such applications so received, represents ten (10) per cent or more of the net assets of the relevant Sub-Fund, the Company reserves the right, in its sole and absolute discretion and without liability (and in the reasonable opinion of the Directors that to do so is in the best interests of the remaining Shareholders of the Company), to scale down each application, on a pro rata basis, with respect to such Dealing Day so that less than ten (10) per cent of the net assets of the relevant Sub-Fund be redeemed or converted on such Dealing Day.

To the extent that any application for redemption or conversion is not given full effect on such Dealing Day by virtue of the exercise by the Company of its power to pro-rate applications, such application shall be treated with respect to the unsatisfied balance thereof as if a further request had been made by the Shareholder in question in respect of the next Dealing Day and, if necessary, subsequent Dealing Days, until such application shall have been satisfied in full.

With respect to any application received in respect of such Dealing Day, to the extent that subsequent applications shall be received in respect of following Dealing Days, such later applications shall be postponed in priority to the satisfaction of applications relating to such first Dealing Day, but subject thereto shall be dealt with as set out above.

**26. DILUTION LEVY**

The basis on which the Sub-Fund's assets are valued for the purpose of calculating the price of Shares is described in Appendix D of this Prospectus.

The actual cost of buying or selling an underlying investment of a Sub-Fund may be higher or lower than the mid-market value of such investment used in

calculating the Net Asset Value per Share, for example, due to dealing charges, or through dealing at prices other than the mid-market price.

A Sub-Fund may suffer dilution (reduction) in the value of its net assets as a result of the costs incurred in dealing in the underlying investments and of any spread between the buying and selling prices of those investments. It is not however, possible to predict accurately whether dilution will occur at any point in time. Under certain circumstances dilution may have a material adverse effect on the remaining Shareholders' interest in the Sub-Fund or Class of such Sub-Fund.

The need to charge the Dilution Levy will depend on the volume of net subscriptions, redemptions or conversions, as determined by the Board of Directors.

If charged, the Dilution Levy will be shown in addition to (but not part of) the price of Shares when they are issued or as a deduction when they are redeemed. The Dilution Levy will either be paid into the relevant Sub-Fund/Class, in the case of an issue of Shares, or retained in the Sub-Fund/Class in the case of redemption or conversion of Shares.

The Board of Directors may charge a Dilution Levy of up to two (2) per cent of the Net Asset Value of the corresponding Shares on any subscription, redemption or conversion of Shares if, in its opinion, the existing Shareholders (for subscriptions and conversions) or remaining Shareholders (for redemptions and conversions) might otherwise be adversely affected.

The Dilution Levy will be imposed in the Board of Directors' sole and absolute discretion and without liability and having due consideration to the equal treatment of Shareholders.

The percentage of the Dilution Levy (if applicable) will be the same for all Investors or Shareholders buying/selling/converting Shares in a Sub-Fund/Class on the same Valuation Day.

As a conversion of Shares from one Sub-Fund to Shares of another Sub-Fund is effectively a redemption from the Original Sub-Fund and a subscription for Shares in the New Sub-Fund, conversions will be included within the net subscriptions and net redemptions calculations referred to above. It is therefore possible that a Dilution Levy could be applied on both the redemption from the initial Sub-Fund and the investment into the New Sub-Fund. The percentage of the Dilution Levy shall be equal for all Shareholders converting Shares of a Sub-Fund on the same Valuation Day.

As dilution is directly related to the inflows and outflows of monies from a Sub-Fund/Class, it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently, it is also not possible to accurately predict how frequently the Board of Directors will need to apply such a Dilution Levy.

## **27. POOLING AND CO-MANAGEMENT**

For the purposes of efficient portfolio management, the Management Company or a duly appointed Investment Manager or Sub-Investment Manager may invest and manage all or any part of the portfolio assets established for two or more

Sub-Funds of the Company and/or with one or more sub-funds of any other Luxembourg investment fund (hereinafter referred to as "**Participating Funds**") on a pooled basis (pooling) in accordance with their respective investment policies. Such asset pools may not be considered as separate legal entities and any notional accounting units of such pool shall not be considered as Shares of the Sub-Fund(s) concerned.

Any such asset pool shall be formed by transferring to it cash or other assets (subject to such assets being appropriate in respect to the investment policy of the pool concerned) from each of the Participating Funds. Thereafter, the Management Company or the duly appointed Investment Manager or Sub-Investment Manager may from time to time make further transfers to each asset pool. Assets may also be transferred back to a Participating Fund up to the amount of the participation of the Sub-Fund concerned. The portion of a Participating Fund in an asset pool shall be measured by reference to its percentage of ownership corresponding to notional accounting units in the asset pool, which is calculated at each Valuation Day. This percentage of ownership shall be applicable to each and every line of investment held in the asset pool. This line-by-line detail of the Sub-Fund's portion of the pool is reflected in the accounts of the Sub-Fund(s) concerned.

Such notional accounting units shall be denominated in EUR or in such currency as the Management Company or the duly appointed Investment Manager or Sub-Investment Manager shall consider appropriate and shall be allocated to each Participating Fund in an aggregate value equal to the cash, securities and other assets contributed.

When additional cash or assets are contributed to or withdrawn from an asset pool, the percentage of ownership of all of the Participating Funds will be increased or reduced, as the case may be, to reflect the percentage of ownership change. Where a contribution is made in cash, it may be treated for the purpose of this calculation as reduced by an amount which the Management Company or the duly appointed Investment Manager or Sub-Investment Manager considers appropriate to reflect fiscal charges and dealing and purchase costs which may be incurred in investing the cash concerned; in the case of cash withdrawal, a corresponding deduction may be made to reflect costs which may be incurred in realising securities or other assets of the asset pool. The Custodian shall at all times keep each Sub-Fund's assets segregated on its books and records from the assets of other Sub-Funds and co-managed entities and shall therefore be able at all times to identify the assets of the Company and of each Sub-Fund.

Dividends, interest and other distributions of an income nature earned in respect of the assets in an asset pool will be applied to such asset pool and cause the respective net assets to increase. Upon the dissolution of the Company or of the relevant Sub-Fund(s), the assets in an asset pool will be allocated to the Participating Funds in proportion to their respective participation in the asset pool.

## **28. DIVIDEND POLICY**

### **28.1 General**

Whether accumulation or distribution Classes have been issued in relation to a particular Sub-Fund and/or Class is indicated in the relevant Annex to Appendix E.

Each year the general meeting of Shareholders will decide, based on a proposal from the Board of Directors, for each Sub-Fund and for distribution Classes (if any) on the use of the Sub-Fund's assets.

Over and above the distributions mentioned in the preceding paragraph, the Board of Directors may decide to pay interim dividends in the form and under the conditions as provided by law.

Part or all of the net income and the realized and unrealized capital gains, as well as part of the net assets of the Company, may be distributed, provided that after the distribution the net assets of the Company total more than EUR 1,250,000.

### **28.2 Accumulation Classes**

The part of the year's net income corresponding to accumulation Classes (if any) will be capitalized in the relevant Sub-Fund for the benefit of the accumulation Classes.

### **28.3 Distribution Classes**

The part of the year's net income and realized and unrealized capital gains, and the part of the net assets, of the Company that has been decided to be distributed in relation to the distribution Classes will be distributed to the holders of the distribution Shares in cash. Should the Board of Directors decide to allow distributions in kind, such distribution in kind will be valued in a report established by the auditor of the Company, qualifying as a *réviseur d'entreprises agréé*, drawn up in accordance with the requirements of Luxembourg law and the costs of which report will be borne by the relevant Shareholder. In addition thereto, no distribution in kind will be allowed if not agreed by the relevant Shareholder.

#### *Declaration and payment of dividends*

Dividends will be declared in the Share Class Currency of each Class of each Sub-Fund, at the discretion of the Board of Directors, on the Dividend Declaration Days specified for such Sub-Fund in the relevant Annex to Appendix E or as otherwise determined by the Board of Directors.

Dividends declared on a Dividend Declaration Day will be made to Shareholders in the distribution Classes on the register of Shareholders on such Dividend Declaration Day. Dividends declared on a Dividend Declaration Day will typically be made in the Share Class Currency of the relevant Class of such Sub-Fund by the Dividend Settlement Date specified in the relevant Annex to Appendix E or as otherwise determined by the Board of Directors.

The exchange rates, if any, used to calculate payments will be determined by the Central Administration by reference to normal banking rates. Such currency transaction will be effected with the agreement of the Custodian, in its sole discretion, and at the relevant Shareholder's cost.

#### *Unclaimed dividends*

Dividends remaining unclaimed for five (5) years after their declaration will be forfeited and revert to the relevant Sub-Fund or Class.

#### *Re-investment of dividends*

If the right to re-invest dividends is specified to apply to a distribution Class, then any Shareholder in such Class may elect to re-invest dividends in respect of such Class in additional Shares of such Class. A Shareholder in such Class should make such election in writing at the time when he subscribes for Shares of such Class, and such election will remain effective until it is withdrawn, as below.

The number of additional Shares received by a relevant Shareholder upon the re-investment of dividends declared on a Dividend Declaration Day will be the amount of the cash dividends that such Shareholder would otherwise have received divided by the Net Asset Value per Share on such day, rounded down to three decimal places. Such additional Shares will be issued up to 5 business days for the relevant Sub-Fund and/or Class following such Dividend Declaration Day.

Any Shareholder wishing to withdraw such election should give written notification of such withdrawal to the Central Administration no later than 10 business days for the relevant Sub-Fund and/or Class before the first Dividend Declaration Day from which such withdrawal is to be effective, and all dividends declared from (and including) such Dividend Declaration Day will not be so re-invested in additional Shares.

## **29. TAXATION**

The following section is a short summary of certain important taxation principles that may be or become relevant with respect to the Company and its Sub-Funds.

This section does not purport to be a complete summary of tax law and practice currently applicable in Luxembourg and does not contain any statement with respect to the tax treatment of an investment in the Company or any of its Sub-Funds in any other jurisdiction.

Furthermore, this section does not address the taxation of the Company or any of its Sub-Funds in any other jurisdiction or the taxation of any legal entity, partnership or undertaking for collective investment (the "UCIs", each a "UCI") without legal personality in which the Company or any of its Sub-Funds hold an interest.

Investors and Shareholders are advised to consult their own professional tax advisers in respect of the possible tax consequences of subscribing for, buying, holding, redeeming, converting or selling Shares under the laws of their country of citizenship, residence, domicile or incorporation.

The following summary is based on laws, regulations and practice currently applicable in the Grand Duchy of Luxembourg at the date of this Prospectus and is subject to changes therein, possibly with retroactive effect.

## **29.1 Luxembourg SICAV**

Under present Luxembourg law and administrative practice, neither a Luxembourg SICAV nor any of its sub-funds is liable for any Luxembourg corporate income tax, municipal business tax, and net worth tax. A Luxembourg SICAV (or each sub-fund in case of SICAV with multiple sub-funds) is however liable in Luxembourg to a subscription tax of in principle 0.05% per annum computed on its net assets, such tax being payable quarterly on the basis of the value of the aggregate assets of such SICAV (or sub-fund) at the end of the relevant calendar quarter. The rate of the subscription tax can be reduced to 0.01 % for sub-funds of a Luxembourg SICAV as well as for individual classes of shares issued within such SICAV or within a sub-fund of the latter provided that the shares of such sub-funds or classes of shares are reserved to Institutional Investors.

The value of assets represented by units and shares held in other undertakings for collective investments is however exempt from the subscription tax provided such units or shares have already been subject to this tax. No other stamp duty or other tax is payable in Luxembourg on the issue of shares by a Luxembourg SICAV.

As regards capital contribution, a Luxembourg SICAV is subject to a flat registration duty of EUR 75 to be paid upon incorporation and to be paid upon future modification (if any) of its articles of incorporation.

Dividends and interest, if any, received by a Luxembourg SICAV or any of its sub-funds from investments may be subject to taxes and/or withholding taxes in the countries concerned at varying rates, such (withholding) taxes usually not being recoverable. A Luxembourg SICAV and its sub-funds may be liable to certain other foreign taxes.

## **29.2 Shareholders of a Luxembourg SICAV**

Under present Luxembourg law and administrative practice and subject to any amendment hereof, the shareholders of a Luxembourg SICAV are not liable to any taxation in Luxembourg in relation to the holding, sale, redemption or assignment of the shares of such SICAV (except for those domiciled, resident or having a permanent establishment in Luxembourg), subject to the application of the Council Directive 2003/48/EC regarding the taxation of savings income (see sub-section 29.3 below).

## **29.3 EU Savings Directive**

### **29.3.1 General rules**

Except in case of application of the Council Directive 2003/48/EC (the "**EU Savings Directive**"), Luxembourg generally does not levy any withholding tax on (i) interest paid by a Luxembourg SICAV (or any of

its sub-funds) or (ii) dividend distributions made by a Luxembourg SICAV (or any of its sub-funds) or (iii) payments made upon redemption/refund/sales of its units by a Luxembourg SICAV (or any of its sub-funds).

The EU Savings Directive (adopted on 3 June 2003 by the EU Council of Economic and Finance Ministers) is in principle applied by EU Member States as from 1 July 2005 and has been implemented in Luxembourg by the laws of 21 June 2005. Under this directive, each EU Member State is required to provide to the tax authorities of another EU Member State details of payments of interest or other similar income paid by a paying agent within the meaning of the EU Savings Directive to an individual resident or certain types of entities called "residual entities", within the meaning of the EU Savings Directive, established in that other EU Member State. For a transitional period, however, Austria, and Luxembourg are permitted to apply an optional information reporting system whereby if a beneficial owner, within the meaning of the EU Savings Directive, does not comply with one of two procedures for information reporting, the relevant EU member state will levy a withholding tax on payments to such beneficial owner. The withholding tax system will apply for a transitional period during which the rate of the withholding is of 35%. The transitional period is to terminate at the end of first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. See "European Union Directive on the Taxation of Savings Income in the Form of Interest Payments" (Council Directive 2003/48/EC).

Also with effect from 1 July 2005, a number of non-EU countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) and certain dependent or associated territories (Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, Bonaire, Curacao, Sint Maarten, St. Eustatius and Saba and Aruba - the "**Territories**") have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the EU Savings Directive) established within such countries or Territories to, or collected by such a paying agent for, an individual resident or a "residual entity" established in a EU Member State. In addition, Luxembourg has entered into reciprocal provision of information or transitional withholding arrangements with those Territories in relation to payments made by a paying agent established in Luxembourg to, or collected by such a paying agent for, an individual resident or a "residual entity" established in one of those Territories.

#### 29.3.2 Application to a Luxembourg SICAV (or any of its sub-funds)

As a result, payments of dividends by a Luxembourg SICAV (or any of its sub-funds) or payments upon redemption/refund/sale of the shares of such sub-fund can potentially be characterised as interest payments and fall within the scope of the EU Savings Directive if the beneficial owner is an individual resident or a so-called "residual entity" established in a EU member state other than Luxembourg or one of the Territories. Payments arising from the shares of such sub-fund falling within the



scope of the EU Savings Directive would be subject to withholding tax at the current rate of 35% unless the Shareholder opts for one of the disclosure of information systems provided by the EU Savings Directive.

The impact of the EU Savings Directive on income from distributions and redemptions/refund/sale arising from shares in a Luxembourg SICAV (or any of its sub-funds) will depend on two basic principles: (i) the asset test and (ii) the look-through principle.

(c) Asset test:

- (i) If such SICAV (or sub-fund) invests, directly or indirectly, 15% or less of its net assets in debt claims: distributions and payments on redemption/refund/sale arising from its shares are out of the scope of the EU Savings Directive (de minimis rule),
- (ii) If such SICAV (or sub-fund) invests, directly or indirectly, more than 15%, but not more than 25% of its net assets in debt claims: distributions fall under the scope of the EU Savings Directive (but not the redemption/refund/sale of shares or shares),
- (iii) If such SICAV (or sub-fund) invests, directly or indirectly, more than 25% of its net assets in debts claims: distributions and payments on redemption/refund/sale fall within the scope of the EU Savings Directive.

When a Luxembourg SICAV (or sub-fund) invests in another fund, the above asset test is done at the level of the latter to determine if the investment of such SICAV (or sub-fund) in such target fund falls within the scope of the EU Savings Directive.

(d) Look-through principle:

- (i) The principle is that, when a given Luxembourg SICAV - or sub-fund - (or a target fund) falls within the scope of the EU Savings Directive according to the asset test (see above), the withholding tax should be levied on the portion of the distribution or payment from the redemption/sale/refund deriving from the accumulated interest received by such SICAV (or sub-fund).
- (ii) The ALFI (Association of the Luxembourg Fund Industry or *Association Luxembourgeoise des Fonds d'Investissement*) advises that each SICAV (or each sub-fund in case of SICAV with multiple sub-funds) determines the level of taxable income for each share (concept of "taxable income per share-unit") on the basis of the portion of interest received by the SICAV (or the sub-fund) in order to compute the basis for the withholding tax to be levied on each distribution or profit on redemption/sale/refund.
- (iii) When a paying agent has no information concerning the proportion of the income which derives from interest payments,

the total amount of the income shall be considered as interest payment.

#### 29.3.3 Additional Comments

Every three years, the EU Commission will report to the EU Council on the operation of the EU Savings Directive and, where appropriate, propose to the EU Council any amendments to the EU Savings Directive that prove necessary in order to better ensure effective taxation of savings income. Therefore, changes to the EU Savings Directive should be anticipated. In this respect, the European Commission has announced on 13 November 2008 proposals to amend the EU Savings Directive. The European Parliament approved an amended version of this proposal on 24 April 2009. If implemented, the proposed amendments would, inter alia (i) extend the scope of the EU Savings Directive to payments made through certain intermediate structures (whether or not established in a EU Member State) for the ultimate benefit of an EU resident individual, and (ii) provide for a wider definition of interest subject to the EU Savings Directive.

### 30. UNITED STATES' FOREIGN ACCOUNT TAX COMPLIANCE

The Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act (commonly known as "**FATCA**") generally impose a new reporting regime and potentially a 30% withholding tax with respect to (i) certain U.S. source income (including dividends and interest) (ii) beginning January 1, 2017, gross proceeds from the sale or other disposal of property that can produce U.S. source interest or dividends ("**Withholdable Payments**") and (iii) beginning no earlier than January 1, 2017, a portion of certain non-U.S. source payments from non-U.S. entities that have entered into FFI Agreements (as defined below) to the extent attributable to Withholdable Payments ("**Passthru Payments**"). As a general matter, the new rules are designed to require U.S. persons' direct and indirect ownership of non-U.S. accounts and non-US entities to be reported to the IRS. The 30% withholding tax regime applies if there is a failure to provide required information regarding U.S. ownership.

Generally, the new rules will subject all Withholdable Payments and Passthru Payments received by an FFI to 30% withholding tax (including the share that is allocable to Non-U.S. Shareholders) unless the FFI enters into an agreement with the IRS (a "**FFI Agreement**"), complies with the terms of an applicable intergovernmental agreement (an "**IGA**") or is otherwise exempt from FATCA. Under an FFI Agreement or an applicable IGA, an FFI generally will be required to provide information, representations and waivers of non-U.S. law as may be required to comply with the provisions of the new rules, including, information regarding its direct and indirect U.S. accountholders.

The governments of Luxembourg and the United States have entered into the Luxembourg IGA. Under the Luxembourg IGA, as currently drafted, an FFI should generally not be subject to withholding or required to withhold amounts on payments it makes under FATCA. Additionally, under the Luxembourg IGA, an FFI will not have to enter into an FFI agreement with the IRS and instead

would be required to obtain information regarding accountholders and report such information to the Luxembourg government, which, in turn, would report such information to the IRS.

The Company qualifies as a “restricted fund” and a deemed compliant FFI under the FATCA rules. Accordingly, the Company generally should be exempt from being withheld upon under FATCA and payments it makes generally should be exempt from FATCA withholding. In addition, the Company will not be required to report information on its accountholders to the Luxembourg government under the Luxembourg IGA.

In certain circumstances, the Company may compel a Shareholder to sell or transfer its Shares or may sell or transfer a Shareholder's Shares. Any tax caused by a Shareholder's failure to comply with FATCA will be borne by such investor.

Each prospective Shareholder should consult its own tax advisor regarding the requirements under FATCA with respect to its own situation.

**Investors are encouraged to inform themselves of any legal or fiscal consequences arising in relation to FATCA and, if applicable, to obtain appropriate advice from their legal and tax advisors.**

### **31. PERSONAL DATA, PROCESSING AND DISCLOSING OF DATA**

#### **31.1 Processing of Personal Data**

In accordance with the provisions of the Luxembourg law of 2 August 2002 on the protection of persons with regard to the processing of personal data, as amended, the Company and the Management Company collect, record, store and process any Investor and Shareholder data provided, either electronically or by other means, for the purposes of providing the services subscribed by the Investors and the Shareholders and discharging their statutory obligations.

The data processed includes in particular, but is not limited to, the name, address and the amount invested by each individual Investor and Shareholder (the “**Personal Data**”).

The purposes for which Personal Data supplied by the Investors and the Shareholders are processed include (i) the accounting and administration of the fees of the service providers, (ii) identification obligations required by the legislation relating to the combating of money laundering and the financing of terrorism, (iii) the maintaining of the Shareholders' register, (iv) the processing of subscription, redemption and conversion orders and (v) the payment of dividends to Shareholders and of targeted services provided to clients.

The Company and the Management Company will take steps to ensure that all Personal Data in relation to the Investors and Shareholders is recorded accurately and maintained in a secure and confidential format. Such Personal Data will be retained only as long as necessary or in accordance with applicable laws.

Personal Data will only be used for the purpose for which it was collected, unless the consent of the relevant Investor and/or the Shareholder is obtained for its use

for a different purpose. The Investors and the Shareholders are entitled to request access to or correction of any Personal Data that are inaccurate or incomplete.

Any Investor or Shareholder wishing to access their Personal Data or request such correction may contact the Management Company in writing at its registered office indicated under section 1.

### 31.2 **Disclosure of Data**

As indicated under section 3 of this Prospectus, the Company and the Management Company may delegate the processing of Personal Data to one or several data processors acting on behalf of the Company and/or the Management Company. For the time being, Citigroup Global Markets Limited has been appointed as the Company's global distributor, and Citibank Europe plc, Luxembourg Branch has been appointed as the Company's Central Administration, Registrar and Transfer Agent and Domiciliary Agent. These entities have also been authorised by the Company and the Management Company to sub-delegate the processing of Personal Data to other companies of the Citibank group. Personal Data will hence be processed by these companies, as well as by any other parties (such as the external processing centres, dispatch or payment agents), which intervene in the process of the business relationship between the Investor/Shareholder and the Company (the "**Data Processors**"). The Data Processors may be located in the European Union and outside the European Union and Personal Data may hence be transferred to companies located in countries where data protection laws might not exist or be of a lower standard than in the European Union.

In the case of processing by a sub-processor, such as one or several of the Data Processors' agents or delegates, administrative support providers and processors who may or may not be part of the Citibank group, the Data Processors shall ensure that the sub-processor's processing is carried out under a written contract imposing on the sub-processor the same obligations as are imposed on the Data Processors under this Prospectus and shall ensure that the sub-processor performs and observes those obligations.

However the Investors and the Shareholders should be aware that due to the fact that the Personal Data is transferred electronically and made available outside of Luxembourg, the same level of confidentiality and the same level of protection in relation to data protection regulation as currently in force in Luxembourg may not be guaranteed while the Personal Data is kept abroad in spite of the agreements that the Data Processors will enter with its agents.

The Investors and the Shareholders hereby expressly agree to the processing of his/her/their Personal Data and the disclosure and transfer of his/her/their Personal Data to the Data Processors for the purposes mentioned under section 31.1 above.

The Company and the Management Company undertake not to transfer the Personal Data to any third parties other than the Data Processors, except if required by law or regulation (Luxembourg or otherwise) or with the prior consent of the relevant Investor and Shareholder.

**By subscribing to the Shares, each Investor/Shareholder consents to such processing of its Personal Data. Such consent is formalized in the Subscription Agreement.**

## **APPENDIX A – INVESTMENT POWERS AND RESTRICTIONS**

In order to achieve the Company's investment objectives and policies, the Board of Directors has determined that the following investment powers and restrictions shall apply to all investments by the Company:

### **A. Investment instruments**

The Company, in each Sub-Fund, may only invest in:

- (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 EU Member State<sup>1</sup> which operates regularly and is recognised and open to the public;
- (c) transferable securities and money market instruments admitted to official listing on a stock exchange in a non-EU Member State or dealt in on another regulated market in a non-EU Member State, which operates regularly and is recognised and open to the public located within any other country of Europe, Asia Oceania, the American continent or Africa;
- (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 paragraphs (a) to (c) above and that such admission is secured within one year of issue;
- (e) shares or units of UCITS authorised according to the UCITS Directive and/or other UCI within the meaning of Article 1(2)(a) and (b) of the UCITS Directive, should they be situated in a EU Member State or not, provided that:
  - i. 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 European Union law, and that cooperation between authorities is sufficiently ensured;
  - ii. 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 the UCITS Directive;

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<sup>1</sup> Pursuant to the UCI Law, the term "**EU Member State**" refers to a Member State of the European Union, it being understood that the States that are contracting parties to the Agreement creating the European Economic Area other than the Member States of the European Union, within the limits set forth by this Agreement and related acts, are considered as equivalent to Member States of the European Union.

- iii. 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;
- iv. no more than 10% of the UCITS or the other UCI net assets, whose acquisition is contemplated, can be, according to its fund rules or instruments of incorporation, 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 article 181 (8) of the UCI Law and under the following conditions:

- 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 pursuant to its instruments of incorporation in units of other UCIs; 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 without prejudice to the appropriate processing in the accounts and the periodic reports; and
  - iv. in any event, for as long as these securities are held by the Company, their value will not be taken into consideration for the calculation of the net assets of the Company for the purposes of verifying the minimum threshold of the net assets imposed by the UCI Law.
- (f) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than twelve (12) months, provided that the credit institution has its registered office in a EU Member State or, if the registered office of the credit institution is situated in a non EU Member State, provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in European Union law;
- (g) financial derivative instruments, including equivalent cash-settled instruments, dealt in on a regulated market referred to in paragraphs (a), (b) and (c); and/or OTC derivatives, provided that:
- i. the underlying consists of instruments covered by paragraphs (a) to (h), financial indices, interest rates, foreign exchange rates or currencies, in which the Company may invest according to the investment objectives of its Sub-Funds;
  - ii. the counter-parties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the CSSF; and
  - iii. the OTC derivatives are subject to reliable and verifiable valuation on a daily basis inasmuch as such day is a Luxembourg Bank Business Day and can be sold, liquidated or closed by an offsetting transaction at any time at their fair market value at the Company's initiative;

- (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 that they are:
  - i. issued or guaranteed by a central, regional or local authority, a central bank of a EU Member State, the European Central Bank, the European Union or the European Investment Bank, a non-EU Member State or, in the case of a federal state, by one of the members making up the federation, or by a public international body to which one or more EU Member States belong; or
  - ii. issued by an undertaking any securities of which are dealt in on regulated markets referred to in paragraphs (a), (b) or (c); or
  - iii. issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by European Union 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 European Union law; or
  - iv. 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 of this paragraph (h) and provided that the issuer is a company whose capital and reserves amount at least to 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. Exceptions**

However, the Company:

- (a) may invest up to 10% of the net assets of a Sub-Fund in transferable securities and money market instruments other than those referred to in section 1) above;
- (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; and
- (d) may hold ancillary liquid assets.

## **C. Risk diversification**

- (1) 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 body. Each Sub-Fund may not invest more than 20% of its net assets in deposits made with the same body.



- (2) The risk exposure to a counterparty of each Sub-Fund in OTC Derivative and/or efficient portfolio management transactions may not exceed 10% of its net assets when the counterparty is a credit institution referred to in section A(f) above, or 5% of its net assets in any other case.
- (3) 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 net assets must not exceed 40% of the value of its net assets. This limitation does not apply to deposits and OTC Derivative transactions made with financial institutions subject to prudential supervision.
- (4) Notwithstanding the limits laid down in sections C(1) and C(2) above, the Sub-Fund may not combine:
  - i. investments in transferable securities or money market instruments issued by;
  - ii. deposits made with; and/or
  - iii. exposures arising from OTC Derivatives and/or efficient portfolio management transactions undertaken with;

a single body in excess of 20% of its net assets.
- (5) The following exceptions can be made:
  - (a) The aforementioned limit of 10% can be raised to a maximum of 25% for certain debt securities if they are issued by credit institution whose registered office is situated in an EU Member State and which is subject, by virtue of law, to particular public supervision for the purpose of protecting the holders of such debt securities. In particular, the amounts resulting from the issue of such debt securities must be invested, pursuant to the law in assets which sufficiently cover, during the whole period of validity of such debt securities, the liabilities arising there from and which are assigned to the preferential repayment of capital and accrued interest in the case of default by the issuer. If the Sub-Fund invests more than 5% of its net assets in such debt securities 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 an EU Member State, by its local authorities, by another Eligible State or by public international bodies of which one or more Member States are members. For the purpose of this paragraph, "Eligible State" shall mean any EU Member State, any member state of the Organisation for Economic Co-operation and Development ("OECD"), and any other state which the Board of Directors deems appropriate with regard to the investment objectives of each Sub-Fund. Eligible States in this include countries in Africa, the Americas, Asia, Australasia and Europe.
  - (c) The transferable securities and money market instruments referred to in exceptions (a) and (b) are not included in the calculation of the limit of 40% laid down in section 5) above.

- (d) The limits stated under sections C(1) to C(4) and C(5)(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 sections C(1) to C(4) and C(5)(a) and (b) above, may not, in any event, exceed a total of 35% of the Sub-Fund's net assets.
- (e) 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 sections C(1) to C(5).
- (f) Each Sub-Fund may invest in aggregate up to 20% of its net assets in transferable securities and money market instruments with the same group.
- (g) Without prejudice to the limits laid down in sections D(2) to D(4) below, the limit of 10% laid down in sections C(1) to C(5) is raised to a maximum of 20% for investment in equity and/or debt securities issued by the same body when the aim of the investment policy of the Company is to replicate the composition of a certain equity or debt securities index which is recognised by the CSSF, on the following basis:
  - the composition of the index is sufficiently diversified,
  - the index represents an adequate benchmark for the market to which it refers,
  - it is published in an appropriate manner.

This limit is 35% where that proves to be justified by exceptional market conditions, in particular in regulated markets where certain transferable securities or money market instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.

- (6) When a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the requirements of the above-mentioned restrictions.
- (7) **The Company may further invest up to 100% of the net assets of any Sub-Fund, in accordance with the principle of risk spreading, in transferable securities and money market instruments issued or guaranteed by a EU Member State, its local authorities, an OECD member country, a G-20 member country, or public international bodies of which one or more EU Member State(s) are members, provided that in such event the Sub-Fund must hold securities from at least six different issues, but securities from any one issue may not account for more than 30% of the total amount.**
- (8) Each Sub-Fund has 6 months from its date of authorization to achieve compliance with sections C(1) to (7) and D(1).

## **D. Investment Restrictions**

- (1) Investments in UCITS and other UCIs
  - (a) The Company will not invest more than 10% of the total net assets of any Subfund in shares or units of other UCITS and/or other UCIs referred to under section A(e), unless otherwise specified in respect of a specific Sub-Fund in the relevant Annex to Appendix E.
  - (b) Where it is stated in the Annex to Appendix E relating to a specific Sub-Fund that it may invest more than 10% of its total net assets in other UCITS and/or UCIs, the following restrictions shall apply to that Sub-Fund:
    - (i) Each Sub-Fund may acquire shares or units of UCITS and/or other UCIs referred to under section A(e), provided that no more than 20% of its net assets are invested in a single UCITS or other UCI.
    - (ii) 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.
    - (iii) Investments made in shares or units of UCIs other than UCITS may not exceed, in aggregate, 30% of the net assets of the relevant Sub-Fund.
  - (c) When a Sub-Fund has acquired shares or units of UCITS and/or other UCIs, the assets of the respective UCITS or other UCIs do not have to be combined in the view of the limits laid down in sections C(1) to C(4) and C(5)(a) to (f) above.
  - (d) When a Sub-Fund invests in the shares or units of other UCITS and/or other UCIs that are managed, directly or by delegation, by the same management company or by any other company to which the management company is linked by common management or control or by a substantial direct or indirect holding, that management company or other company may not charge any management fee nor any subscription or redemption fees on account of the UCITS' investment in the units of such other UCITS and/or UCI.
- (2) The Company will not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.
- (3) The Company may not acquire more than:
  - (a) 10% of non-voting shares of the same issuer;
  - (b) 10% of the debt securities issued by the same issuer;
  - (c) 25% of the units of the same UCITS and/or other UCI; or
  - (d) 10% of the money market instruments of the same issuer.

The limits laid down under points (b), (c) and (d) above may be disregarded at the time of acquisition if at that time the gross amount of debt securities or money market instruments, or the net amount of the securities in issue, cannot be calculated.

- (4) The limits of sections D(1) and D(3) above are waived as to:
- (a) transferable securities and money market instruments issued or guaranteed by an EU Member State or its local authorities;
  - (b) transferable securities and money market instruments issued or guaranteed by a non-EU Member State;
  - (c) transferable securities and money market instruments issued by public international bodies of which one or more EU Member States are members;
  - (d) shares held in the capital of a company incorporated in a non-EU 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 Sub-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 sections C(1) to C(5)(a) above as well as sections D(1) to D(3). If the limits stated in sections C(1) to C(5) above are exceeded, the provisions laid down in C(8) and D(8) shall apply *mutatis mutandis*.
  - (e) shares held by the Sub-Funds in the capital of one or more subsidiary companies carrying on only the business of management, advice or marketing in the country/state where the subsidiary is located, in regard to the repurchase of units at Shareholders' request exclusively on its or their behalf.
- (5) 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. The Sub-Funds may not borrow for investment purposes. 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.
- (6) The Company may not grant credits or act as guarantor for third parties. This limitation does not prevent the Company to purchase securities that are not fully paid up, nor to lend securities as further described thereunder. This limitation does not apply to margin payments on option deals and other similar transactions made in conformity with established market practices.
- (7) 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 of the Company 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 Company's shares are offered and sold. In this event this sales prospectus will be updated.

- (8) **If any of the above limitations are exceeded for reasons beyond the control of the Company and/or each Sub-Fund or as a result of the exercise of subscription rights attaching to transferable securities or money market instruments, the Company 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.**
- (9) The Company via the Management Company employs a risk-management process which enables it to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of the portfolios of the Sub-Fund(s). The Management Company employs a process allowing for accurate and independent assessment of the value of the OTC Derivatives.

Information relating to the quantitative limits that apply in the risk management of the Company to the methods chosen to this end and to the recent evolution of the main instrument categories' risks and yields may be provided to Investors and Shareholders upon request.

#### **E. Borrowing and Lending Powers**

- (1) The Company may only borrow, for the account of a Sub-Fund, up to 10% of the Net Asset Value of a Sub-Fund provided that such borrowing is for a period of up to one month to cover a cash shortfall caused by mismatched settlement dates on purchase and sale transactions or on a temporary basis to finance redemptions. The assets of such Sub-Fund may be charged as security for any such borrowings. The Company may acquire foreign currency by means of a back to back loan agreement(s). Foreign currency obtained in this manner is not classified as borrowing for the above mentioned 10% limit provided that the offsetting deposit (a) is denominated in the Reference Currency of the Sub-Fund and (b) equals or exceeds the value of the foreign currency loan outstanding.
- (2) The Company may not borrow for investment purposes.
- (3) Without prejudice to the powers of the Company to invest in transferable securities, the Company may not lend cash, or act as guarantor on behalf of third parties.
- (4) Any special borrowing restrictions relating to a Sub-Fund will be formulated by the Directors at the time of the creation of a Sub-Fund. There are no special borrowing restrictions currently in operation.

#### **F. Charges and Expenses**

- (1) When the Company on behalf of a Sub-Fund invests in the shares of other UCITS or collective investment undertakings or both and those other UCITS or collective investment undertakings are managed, directly or by delegation, by the Investment Manager or by any other company with which the Investment Manager is linked by common management or control, or by a substantial direct

or indirect holding, the Investment Manager or other company shall not charge subscription, conversion or redemption fees on account of the investment by the Company on behalf of the Sub-Fund in the shares of such other UCITS or collective investment undertakings or both, as the case may be.

- (2) If the Company on behalf of a Sub-Fund invests a substantial proportion of its net assets in other UCITS or non-UCITS collective investment undertakings or both, the maximum level of the management fees that may be charged to the Sub-Fund by such UCITS or non-UCITS collective investment undertakings or both, as the case may be, will be set out in the relevant Annex to Appendix E. Details of such fees will also be contained in the Company's annual report.

## **APPENDIX B – SPECIAL TECHNIQUES AND INSTRUMENTS**

### **A. General provisions**

The Company may arrange for each Sub-Fund to make use of techniques and instruments relating to Transferable Securities and Money Market Instruments as described herein for investment purposes, hedging purposes, efficient portfolio management purposes and/or to protect its assets and commitments. The use of these instruments may be subject to certain specific risks, including but not limited to counterparty risk and conflicts of interest. Investors are requested to read Section 16 ("Risk Factors") with appropriate care in order to assess the potential risks of the use of these instruments.

The Sub-Funds shall use instruments dealt in on a regulated market referred to under (a), (b) and (c) of section A of Appendix A above or dealt in over-the-counter (in accordance with the conditions set out in Appendix A). In general, where a Sub-Fund makes use of Financial Derivative Instruments the conditions and restrictions set out in Appendix A must be complied with.

In no case whatsoever must recourse to transactions involving Financial Derivative Instruments or other financial techniques and instruments cause the Company to depart from the investment objectives set out in this Prospectus.

### **B. Efficient Portfolio Management**

Efficient portfolio management transactions must be economically appropriate in that they are realized in a cost-effective way, and be entered into for one or more of the following specific aims:

- the reduction of risks;
- the reduction of costs;
- the generation of additional capital gain or income for the Sub-Fund with an appropriate level of risk, taking into account its risk profile and the risk diversification rules laid down in sections C and D of Appendix A.

All revenue arising from efficient portfolio management techniques, net of direct and indirect operational costs, shall be returned to the Company for the benefit of the relevant Sub-Fund to be reinvested in accordance with that Sub-Fund's investment policy. Fees arising from efficient portfolio management techniques will be charged to the Sub-Fund concerned. The Company on behalf of the Sub-Funds does not engage in fee-sharing arrangements in relation to efficient portfolio techniques with third parties. Fees payable to third parties are being negotiated at market rates.

In no case whatsoever must recourse to transactions involving derivatives or other financial techniques and instruments cause the Company to depart from the investment objectives set out in the prospectus or add substantial supplementary risks in comparison to the Company's general risk policy (as described in the prospectus).

These efficient portfolio management techniques may include sale and repurchase agreements (repo), purchase and resale agreements (reverse repo) and/or securities lending.

When making use of efficient portfolio management techniques, the Company shall take into account the ESMA Guidelines 2012/832 of 18 December 2012 on ETFs and other UCITS issues as revised by the ESMA Guidelines 2014/937 of 1 August 2014 (the "**ESMA Guidelines 2014/937**"), as may be updated, amended or replaced from time to time, as well as CSSF Circulars 08/356 and 11/512.

### **C. Financial Derivative Instruments**

When operations concern the use of Financial Derivative Instruments, the relevant techniques and instruments shall conform to the provisions laid down in Appendix A "Investment Powers and Restrictions".

Under the commitment approach the Company will ensure that the global exposure associated with derivatives does not exceed the net assets of the relevant Sub-Fund. Under the VaR approach global exposure might exceed the net assets of the relevant Sub-Fund and will be calculated and reported as required by law and relevant regulations. 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, the overall risk for the underlying instruments may not exceed the investment limits set forth under sections C(1) to C(8) of Appendix A. Investments in index-based derivatives need not be taken into account in the case of the investment limits set forth under sections C(1) to C(8) of Appendix A.
- If a derivative has a security or money market instrument as its underlying instrument, it has to be taken into account with regard to compliance with article 43 and article 46 of the UCI Law.

In addition, the provisions laid out in the Company's Risk Management Policy must be complied with.

Under no circumstances shall these operations cause a Sub-Fund to diverge from its investment policies and objectives as laid down in section 14 "Investment Policies" and in Appendix E.

A Sub-Fund may invest in Financial Derivative Instruments including but not limited to foreign exchange forwards, non deliverable forwards, total return swaps, interest rate swaps, currency swaps, options, swaptions, credit default swaps, and credit linked note for either investment or for hedging purposes.

*FX forwards* are bilateral agreements to purchase or sell a set amount of a foreign currency at a specified price for settlement at a predetermined future date, or within a predetermined window of time.

*Non deliverable forwards* is a generic term for a set of financial derivative instruments which cover notional currency transactions, including FX forward swaps, cross currency swaps and coupon swaps in non-convertible or highly restricted securities. Non deliverable forwards calculate the implied interest rates of the non-deliverable



currency, given the settlement currency interest rates and either the current spot exchange rate and forward points, or the outright forwards.

*Total return swaps* are any swaps in which the non-floating rate side is based on the total return of a currency or fixed income instrument with a life longer than the swap. Total return swaps are most common in equity or physical commodity markets, but they can be used in fixed income markets where the non-domestic holder of a fixed income security would be subject to a withholding tax, but where the withholding tax may be avoided if the debt instrument is held by a domestic investor who pays the total return to a foreign investor by way of a total return swap. Total return swaps are also used to transfer credit exposure. Where the Company on behalf of one of the Sub-Funds enters into a total return swap or another financial derivative instrument with similar characteristics, it shall ensure that the assets held by the Sub-Fund comply with the investment limits set out in articles 43, 44 ,45 ,46 and 47 of the UCI Law;

*Interest rate swaps* provide for an exchange between two parties of interest rate exposures from floating to fixed rate or vice versa. Each party thereby gains indirect access to the fixed or floating capital markets.

*Currency swaps* are bilateral financial contracts to exchange the principal and interest in one currency for the same in another currency in order to hedge specific currency risk.

*Options* involve the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period.

*Swaptions* are options on an interest rate swap. The buyer of a swaption has the right to enter into an interest rate swap agreement by some specified date in the future. The swaption agreement will specify whether the buyer of the swaption will be a fixed-rate receiver or a fixed-rate payer. The writer of the swaption becomes the counterparty if the buyer exercises.

*Credit default swaps* are bilateral financial contracts in which one counterparty (the “protection buyer”) pays a periodic fee in return for a contingent payment by the other counterparty (the “protection seller”) following a credit event of a reference issuer. The protection buyer acquires the right to exchange particular bonds or loans issued by the reference issuer with the protection seller for its or their par value, in an aggregate amount up to the notional value of the contract, when a credit event occurs. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt, or failure to meet payment obligations when due. The ISDA has produced standardised documentation for these transactions under the umbrella of its ISDA Master Agreement.

*Credit linked notes* are structured notes that enable access to local or external assets which are otherwise inaccessible to the Sub-Fund. Credit linked notes are issued by highly rated financial institutions; where credit linked notes are not listed or dealt in on a regulated market referred to under (a), (b) and (c) of section A of Appendix A above, the investment in credit linked notes shall always be within the limit of 10% laid down in section B(a) of Appendix A; the legal restrictions are applied to the issuer of the credit linked notes as well as to the underlying thereof. In those cases where credit linked notes are listed or dealt in on a Regulated Market, the aforementioned limit of

10% shall not apply and the investment restrictions applicable to credit linked notes shall be those laid down in section C of Appendix A.

#### **D. Securities lending transactions**

In accordance with sections A and B of this Appendix B, the Company may, for each fund and for the purpose of efficient portfolio management and/or hedging purposes, engage in securities lending transactions within the limits of the CSSF Circular 08/356, as amended by CSSF Circular 11/512 and in the ESMA Guidelines 2014/937, where:

- the securities are lent through a standardised lending system organised by a recognised clearing house or through a reputable financial institution that specialises in those types of transaction; and
- security equal to the value of the securities lent is given, until the lending contract terminates, in cash or bonds issued or guaranteed by an OECD member state or its local authorities or by supranational organisations.

The Company will ensure that the volume of the securities lending transactions is kept at an appropriate level. Securities lending may only be effected on condition that the Company is able at any time to recall any security that has been lent out or terminate any securities lending transaction in which it has entered.

The Company may decide to reinvest cash collateral received in the framework of these financial techniques and instruments in accordance with the rules and limits set forth in applicable regulation, i.e. currently CSSF Circular 08/356, as amended by CSSF Circular 11/512.

For further information please refer to the Annexes to Appendix E in respect of the various Sub-Funds.

#### **E. Repurchase agreements**

In accordance with sections A and B of this Appendix B, the Company may, for each Sub-Fund, for the purpose of efficient investment management and/or for hedging purposes, engage in sales with a right of repurchase transactions and/or reverse repurchase transactions/repurchase transactions subject to the provisions set forth in CSSF Circular 08/356, as amended by the CSSF Circular 11/512 and in the ESMA Guidelines 2014/937.

Repurchase agreements or reverse repurchase agreements may only be entered into on condition that the Company is able at any time to recall the full amount of cash or to terminate the reverse repurchase agreements.

Any cash collateral received by the Company in relation to these transactions shall be reinvested in accordance with section F of this Appendix B.

#### **F. Collateral Policy**

For the purpose of the present Appendix B, all assets received by the Sub-Fund in the context of efficient portfolio management techniques will be considered as collateral. The Sub-Fund may accept any kind of asset listed in section 2. b) of CSSF Circular 08/356 as collateral to the extent that these assets fulfil the requirements 1 to 5 of the list

below, as well as the ESMA Guidelines 2014/937 as may be amended, supplemented or replaced from time to time.

Where the Sub-Fund enters into OTC financial derivative transactions and efficient portfolio management techniques, it will ensure that all collateral used to reduce counterparty risk exposure complies with the following criteria at all times:

1. *Liquidity* – Any collateral received other than cash will be highly liquid and traded on a Regulated Market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation. Collateral received will also comply with the provisions of article 48 of the UCI Law.
2. *Valuation* – Collateral received will be valued on at least a daily basis and assets that exhibit a high price volatility will not be accepted as collateral unless suitably conservative haircuts are in place.
3. *Issuer credit quality* – Collateral received will be of high quality.
4. *Correlation* – The collateral received by the Sub-Fund will be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty.
5. *Collateral diversification (asset concentration)* – Collateral will be sufficiently diversified in terms of country, markets and issuers. The criterion of sufficient diversification with respect to issuer concentration will be considered to be respected if the Sub-Fund receives from a counterparty of efficient portfolio management and OTC financial derivative transactions a basket of collateral with a maximum exposure to a given issuer of 20% of its Net Asset Value. When a Sub-Fund is exposed to different counterparties, the different baskets of collateral should be aggregated to calculate the 20% limit of exposure to a single issuer. By derogation to the above, a Sub-Fund may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by a Member State, one or more of its local authorities, a third country, or a public international body to which one or more Member States belong. The Sub-Fund should receive securities from at least six different issues, but securities from any single issue should not account for more than 30% of its Net Asset Value. In case it is intended that a Sub-Fund will be fully collateralised in securities issued or guaranteed by a Member State, this fact shall be disclosed in the relevant Annex to Appendix E, along with an indication of the Member States, local authorities, or public international bodies issuing or guaranteeing securities which it may accept as collateral for more than 20% of its Net Asset Value.
6. Risks linked to the management of collateral, such as operational and legal risks will be identified, managed and mitigated by the Company's risk management process.
7. Where there is a title transfer, the collateral received will be held by the Custodian. For other types of collateral arrangement, the collateral may be held by a third party custodian which is subject to prudential supervision, and which is unrelated to the providers of the collateral.

8. Collateral received will be capable of being fully enforced by the Sub-Fund at any time without reference to or approval of the counterparty.
9. Non-cash collateral received will not be sold, re-invested or pledged.
10. Cash collateral will only be
  - a. placed on deposits with entities prescribed in article 41 (f) of the UCI Law;
  - b. invested in high quality government bonds;
  - c. used for the purpose of reverse repurchase transactions provided the transactions are with credit institutions subject to prudential supervision and the Sub-Fund is able to recall at any time the full amount of cash on accrued basis;
  - d. invested in short term money market funds.

Cash collateral will be reinvested in accordance with the diversification requirements applicable to non-cash collateral and can only be invested in a manner consistent with the investment objectives of the relevant Sub-Fund, and in compliance with the requirements of the ESMA Guidelines 2014/937, as described above.

Reinvestment of collateral may create a leverage effect which will be taken into account for the calculation of a Sub-Fund's global exposure.

The anticipated level of collateral required for the management of each Sub-Fund shall be specified in the relevant Annex to Appendix E.

## **G. Haircut Policy**

The Company has implemented a haircut policy in respect of each class of assets received as collateral. A haircut is a discount applied to the value of a collateral asset to account for the fact that its valuation, or liquidity profile, may deteriorate over time. The haircut policy takes account of the characteristics of the relevant asset class, including the credit standing of the issuer of the collateral, the price volatility of the collateral and the results of any stress tests which may be performed in accordance with the collateral management policy. Subject to the framework of agreements in place with the relevant counterparty, which may or may not include minimum transfer amounts, it is the intention of the Company that any collateral received shall have a value, adjusted in light of the haircut policy, which equals or exceeds the relevant counterparty exposure where appropriate.

The Company will apply haircuts to the collateral received according to the below table:

| <b>Eligible Collateral</b> | <b>Permitted Currencies</b> | <b>Valuation Percentage<br/>(up to)</b> |
|----------------------------|-----------------------------|---|
| Cash                       | EUR, USD, GBP               | 100%                                    |

|   |                      |            |
|---|----------------------|------------|
| <p>Negotiable debt obligations issued by the Government / Treasury Department of the United States, the United Kingdom, France, Belgium, Austria, The Netherlands, Finland or Germany, denominated in the lawful currency of the relevant country and issued on the relevant domestic market (but excluding derivatives of other securities and inflation linked securities)</p> <p>Maturity &lt;1year</p>                  | <p>EUR, USD, GBP</p> | <p>99%</p> |
| <p>Negotiable debt obligations issued by the Government / Treasury Department of the United States, the United Kingdom, France, Belgium, Austria, The Netherlands, Finland or Germany, denominated in the lawful currency of the relevant country and issued on the relevant domestic market (but excluding derivatives of other securities and inflation linked securities)</p> <p>Maturity between 1 year and 5 years</p> | <p>EUR, USD, GBP</p> | <p>97%</p> |
| <p>Negotiable debt obligations issued by the Government / Treasury Department of the United States, the United Kingdom, France, Belgium, Austria, The Netherlands, Finland or Germany, denominated in the lawful currency of the relevant country and issued on the relevant domestic market (but excluding derivatives of other securities and inflation linked securities)</p> <p>Maturity greater than 5 years</p>       | <p>EUR, USD, GBP</p> | <p>95%</p> |

In case of unusual market volatility, the Company reserves the right to increase the haircut it applies to collateral. As a consequence, the Company will receive more collateral to secure its counterparty exposure.

## **APPENDIX C - RISK MANAGEMENT PROCESS**

The Company employs a Risk Management Policy, established in accordance with article 42 of the UCI Law and compliant with CSSF Circular Letter 11/512 and ESMA Guidelines 2014/937, produced by the Management Company, which enables it to assess the exposure of the Company to market, liquidity and counterparty risks, and to all other risks, including operational risks, which are material for the Company.

## **APPENDIX D – NET ASSET VALUE**

Please note that the terms Valuation Day have the meaning given to them in respect of each Sub-Fund as set out in the relevant Annex to Appendix E.

The Net Asset Value per Share of each Class in each Sub-Fund will be expressed in the relevant Share Class Currency.

The Sub-Funds and Classes are valued on each Valuation Date and the Net Asset Value per Share is determined on each Valuation Day at the Valuation Time. If after the calculation of the Net Asset Value, there has been a material change in the quotations on the markets on which a substantial portion of the investments attributable to a Sub-Fund are dealt or quoted, the Company may, in order to safeguard the interests of Shareholders and the Company, cancel the first valuation and carry out a second valuation, for all the Classes concerned, prudently and in good faith.

The Net Asset Value per Share of each Class in each Sub-Fund on any Valuation Day is determined by dividing the value of the total assets of the relevant Sub-Fund properly allocable to the Class of Shares less the liabilities of the Sub-Fund properly allocable to such Class by the total number of Shares of such Class outstanding on such Valuation Day. The Net Asset Value per Share shall be rounded to a maximum of two (2) decimal places in the relevant Reference Currency.

The Subscription Price and the Redemption Price of the different Classes, as the case may be, will differ within each Sub-Fund as a result of the differing fee structure, Share Class Currency and/or distribution policy for each Class, as the case may be.

In determining the Net Asset Value per Share, income and expenditure are treated as accruing daily.

The valuation of the Net Asset Value per Share shall be made in the following manner:

The assets of the Company shall be deemed to include:

- i) All cash on hand or on deposit, including any interest accrued thereon;
- ii) All bills and demand notes payable and accounts receivable (including proceeds of securities sold but not delivered);
- iii) All bonds, time notes, certificates of deposit, Shares, stock, debentures, debenture stocks, subscription rights, warrants, options and other securities, financial instruments and similar assets owned or contracted for by the Company (provided that the Company may make adjustments in a manner not inconsistent with paragraph (a) below with regards to fluctuations in the market value of securities caused by trading ex-dividends, ex-rights, or by similar practices);
- iv) All stock dividends, cash dividends and cash distributions receivable by the Company to the extent information thereon is reasonably available to the Company;
- v) All interest accrued on any interest bearing assets owned by the Company except to the extent that the same is included or reflected in the principal amount of such asset;

- vi) The preliminary expenses of the Company, including the cost of issuing and distributing Shares of the Company, insofar as the same have not been written off;
- vii) The liquidating value of all forward contracts and all call or put options the Company has an open position in;
- viii) All other assets of any kind and nature including expenses paid in advance.

The value of such assets shall be determined as follows:

- a) The value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends, interest declared or accrued and not yet received, all of which are 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 listed on a recognized stock exchange or dealt on any other Regulated Market will be valued at their latest available prices, or, in the event that there should be several such markets, on the basis of their latest available prices on the main market for the relevant security;
- c) Securities not listed or traded on a stock exchange or not dealt on another Regulated Market will be valued on the basis of the probable sales proceeds determined prudently and in good faith by the Directors; and the liquidating value of futures, forward or options contracts not traded on exchanges or on other Regulated Markets shall mean their net liquidating value determined, pursuant to the policies established by the Directors, on a basis consistently applied for each different variety of contracts. The liquidating value of futures, forward or options contracts traded on exchanges or on other Regulated Markets shall be based upon the last available settlement prices of these contracts on exchanges and Regulated Markets on which the particular futures, forward or options contracts are traded by the Company; provided that if a futures, forward or options contract could not be liquidated on the day with respect to which net assets are being determined, the basis for determining the liquidating value of such contract shall be such value as the Directors may deem fair and reasonable. All other securities and other assets will be valued at fair market value as determined in good faith pursuant to procedures established by the Directors;
- d) In the event that the latest available price does not, in the opinion of the Directors, truly reflect the fair market value of the relevant securities or exchange traded Financial Derivative Instruments, the value of such securities or exchange traded Financial Derivative Instruments will be defined by the Directors based on the reasonably foreseeable sales proceeds determined prudently and in good faith;
- e) The Net Asset Value per Share may be determined by using an amortized cost method for all investments with a known short-term maturity date (i.e. maturity of less than three (3) months). This involves valuing an investment at its cost and thereafter assuming a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investments. While this method provides certainty in valuation, it may result in periods during which value, as determined by amortization cost, is higher or



lower than the price the relevant Sub-Fund would receive if it sold the investment. The Directors will continually assess this method of valuation and recommend changes, where necessary, to ensure that the Sub-Fund's investments will be valued at their fair value as determined in good faith by the Directors. If the Directors believe that a deviation from the amortized cost per share may result in material dilution or other unfair results to Shareholders, the Directors shall take such corrective action, if any, as it deems appropriate to eliminate or reduce, to the extent reasonably practicable, the dilution or unfair results;

The Sub-Funds shall, in principle, keep in their portfolio the investments determined by the amortization cost method until their respective maturity date;

- f) Interest rate swaps will be valued at their market value established by reference to the applicable interest rates curve. Index and financial instruments related swaps will be valued at their market value established by reference to the applicable index or financial instrument. The valuation of the index or financial instrument related swap agreement shall be based upon the market value of such swap transaction established in good faith pursuant to procedures established by the Directors.

Any assets held in a particular Sub-Fund not expressed in the Sub-Fund's Reference Currency will be translated into such Reference Currency at the rate of exchange prevailing in a recognized market at the Valuation Time (or any other time that may be specified in the relevant Annex to Appendix E for the relevant Sub-Fund) on the relevant Valuation Day.

The liabilities of the Company shall be deemed to include:

- i) All loans, bills and accounts payable;
- ii) All accrued interest on loans of the Company (including accrued fees for commitment for such loans);
- iii) All accrued or payable expenses (including for the avoidance of doubt the fees payable to the Management Company and other service providers, the operating and administrative fees, and any other third party fees);
- iv) All known liabilities, present and future, including all matured contractual obligations for payment of money or property;
- v) An appropriate provision for future taxes based on capital and income to the relevant Valuation Day, as determined from time to time by the Directors, and other reserves, if any, authorized and approved by the Directors; and
- vi) All other liabilities of the Company of whatsoever kind and nature except liabilities represented by Shares of the Company. In determining the amount of such liabilities, the Company shall take into account all expenses payable and all costs incurred by the Company, which shall comprise the fees payable to the Directors (including all reasonable out-of-pocket expenses), Investment Advisors (if any), Investment Managers, accountants, Custodian, Management Company, Central Administration, Registrar and Transfer Agent, permanent representatives in places of registration, the Distributors, if any, trustees, fiduciaries, correspondent banks and any other agent employed by the Company, fees for legal and auditing services,

costs of any proposed listings and of maintaining such listings, promotion, printing, reporting and publishing expenses (including reasonable marketing and advertising expenses and costs of preparing, translating and printing in different languages) of prospectuses, addenda, explanatory memoranda, registration statements, annual reports and semi-annual reports, all taxes levied on the assets and the income of the Company (in particular, the "*taxe d'abonnement*" and any stamp duties payable), registration fees and other expenses payable to governmental and supervisory authorities in any relevant jurisdictions, insurance costs, costs of extraordinary measures carried out in the interests of Shareholders (in particular, but not limited to, arranging expert opinions and dealing with legal proceedings) and all other operating expenses, including the cost of buying and selling assets, customary transaction fees and charges charged by custodian banks or their agents (including free payments and receipts and any reasonable out-of-pocket expenses, i.e. stamp taxes, registration costs, scrip fees, special transportation costs, etc.), customary brokerage fees and commissions charged by banks and brokers for securities transactions and similar transactions, interest and postage, telephone, facsimile and telex charges. The Company may calculate administrative and other expenses of a regular or recurring nature on an estimated figure for yearly or other periods in advance, and may accrue the same in equal proportions over any such period.

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

#### **Temporary Suspension of Determination of Net Asset Value per Share and issue or redemption of Shares**

The Board of Directors may suspend the determination of the Net Asset Value per Share of one or more Sub-Fund(s) and the issue, conversion or redemption of Shares in any Class in the following circumstances:

- a) During any period when any of the principal stock exchanges or other markets on which a substantial portion of the investments of the Company attributable to the relevant Sub-Fund from time to time is quoted or dealt in is closed otherwise than for ordinary holidays, or during which dealings therein are restricted or suspended, provided that such restriction or suspension affects the valuation of the investments of the Company attributable to the Sub-Fund quoted thereon;
- b) During the existence of any state of affairs which constitutes an emergency in the opinion of the Company as a result of which disposal or valuation of assets owned by the Company attributable to the relevant 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 the relevant Sub-Fund or the current price or value on any stock exchange or other market in respect of the assets attributable to the Sub-Fund;
- d) During any period when the Company is unable to repatriate funds for the purpose of making payments on the redemption of Shares of the relevant Sub-Fund or during which any transfer of funds involved in the realization or acquisition of investments or payments due on redemption of Shares cannot, in the opinion of the Directors, be effected at normal rates of exchange;

- e) When for any other reason the prices of any investments owned by the Company attributable to the relevant Sub-Fund cannot promptly or accurately be ascertained;
- f) Upon the publication of a notice convening a general meeting of Shareholders for the purpose of winding-up the Company; or
- g) in all other cases as provided for in the UCI Law.

The suspension of the determination of the Net Asset Value per Share in a 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 other Sub-Fund that is not suspended.

Any request for subscription, conversion or redemption shall be irrevocable except in the event of a suspension of the determination of the Net Asset Value per Share.

Notice of the beginning and of the end of any period of suspension will be published in a Luxembourg daily newspaper and in any other newspaper(s) selected by the Directors, as well as in the official publications specified for the respective countries in which Shares are sold. The Luxembourg regulatory authority, and the relevant authorities of any Member States of the European Union in which Shares are marketed, will be informed of any such suspension. Notice will likewise be given to any Investor or Shareholder, as the case may be, applying for subscription or redemption of Shares in the relevant Sub-Fund.

#### **Publication of Net Asset Value per Share**

The Net Asset Value per Share of each Class within each Sub-Fund is made public at the registered office of the Company. The Company may arrange for the publication of this information in leading financial newspapers in the Reference Currency of the Sub-Fund and/or in the Share Class Currency of the Class concerned, as the case may be, and in any other currency at the discretion of the Board of Directors.

The Company cannot accept any responsibility for any error or delay in publication or for non-publication of prices.

## **APPENDIX E – DETAILS OF EACH SUB-FUND**

List of Sub-Funds:

- Volatility Arbitrage Fund
- European Equity Absolute Return Fund
- BOCHK RMB High Yield Bond Fund
- Absolute Return Dynamic Protection Fund
- Equity Absolute Return Opportunities Fund
- Absolute Return Opportunities Fund

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# Red Arc Global Investments (Luxembourg) SICAV

## Volatility Arbitrage Fund

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### Introduction

This annex (the "**Annex**") contains information in relation to Classes of Shares issued in the Volatility Arbitrage Fund (the "**Sub-Fund**"), which is a sub-fund of Red Arc Global Investments (Luxembourg) SICAV (the "**Company**"), an undertaking for collective investment in transferable securities (a "**UCITS**") with multiple compartments pursuant to Part I of the Luxembourg law of 17 December 2010 on undertakings for collective investment (the "**UCI Law**") and the Directive 2009/65/EC of the European Union Parliament and of the Council of 13 July 2009 (the "**UCITS Directive**").

The Directors (whose names appear in the Prospectus under section 1 "*Organisation of the Company*") accept responsibility for the information contained in this Annex.

The Directors of the Company expect that the Net Asset Value of the Sub-Fund will have a medium to high volatility, through investment in Financial Derivative Instruments.

Unless otherwise defined in this Annex, words and expressions used herein will have the same meaning as in the Prospectus.

### Profile of a Typical Investor

Subject to their personal circumstances, the Sub-Fund may be suitable for investors who seek a dynamic exposure to the volatility of the US equity market with some potential for capital growth, and who understand and are willing to accept the risk of capital loss with a medium to high degree of volatility.

An investment in the Sub-Fund is not a deposit in a bank or other insured depository institution. Investment in the Sub-Fund may not be appropriate for all investors. The Sub-Fund is not intended to be a complete investment programme and investors should consider their long-term investment goals and financial needs when making an investment decision about the Sub-Fund. An investment in the Sub-Fund is intended to be a long-term investment. The Sub-Fund should not be used as a trading vehicle.

### Investment Objective

The investment objective of the Sub-Fund is to achieve capital appreciation through a strategy that seeks to exploit arbitrage opportunities arising from the differences between the implied and realized volatility of the US equity market.

### Investment Policy

In order to achieve its investment objective, the Investment Manager on behalf of the Sub-Fund will invest the net proceeds of any issue of Shares in eligible assets under the

UCI Law and the UCITS Directive, including (i) variance swaps (in order to pursue the Sub-Fund's investment objective), (ii) assets held for liquidity purposes, including cash deposits, government bonds, money market instruments and units of other UCITS, as further described in the section headed "*Liquidity Portfolio*" below, and (iii) foreign exchange currency contracts (the "**FX Contracts**") (in order to smooth out the currency exposure to which the Company on behalf of the Sub-Fund will be exposed in respect of the Classes denominated in currencies which are not the same as the Reference Currency of the Sub-Fund).

In order to pursue the Sub-Fund's investment objective, the Investment Manager on behalf of the Sub-Fund will actively buy and sell variance swaps (each a "**Variance Swap**") referencing the variance of the S&P 500<sup>®</sup> Index (the "**SPX Index**") with the aim of benefitting from differences between the volatility anticipated by market participants (the "**implied volatility**") and the realized volatility of the SPX Index. Variance Swaps are financial contracts that allow investors to gain exposure to the variance (squared volatility) of an underlying asset and, in particular, to trade future realized (or actual) volatility against current implied volatility. See the section headed "*Financial Instruments*" below for a general description of such Variance Swaps.

A structural imbalance exists amongst market participants who aim to benefit from the differences between implied and realized volatility of the SPX Index which allows sellers of Variance Swaps to command a premium for providing protection from the risk that realized volatility exceeds implied volatility. This "premium" may be captured through a simple strategy of regularly selling Variance Swaps. However, a simple strategy of this type will suffer losses during periods when realized volatility turns out to be greater than anticipated. The Sub-Fund therefore intends to pursue a more dynamic strategy with the aim of achieving greater risk-adjusted returns. This may be implemented by varying the size of the Variance Swap positions depending on market conditions and by having the ability to buy Variance Swaps at times when the market dynamics do not offer a "premium" to sellers of Variance Swaps.

To assist it in determining the timing of its purchases and sales of Variance Swaps, and the terms on which it should seek to enter into Variance Swaps on behalf of the Sub-Fund, the Investment Manager intends to engage Citigroup Global Markets Limited (the "**Signal Provider**") to provide it with technical trading signals (the "**Trading Signals**") which are designed with the aim of identifying potential arbitrage opportunities arising from differences between the one-month implied volatility of the SPX Index and the one-month realized volatility of the SPX Index over time. However, it should be noted that the Trading Signals may not always be successful in identifying such arbitrage opportunities.

The Trading Signals take the form of buy and sell signals for Variance Swaps. The Trading Signal which is generated for each suggested Variance Swap comprises the main commercial terms, being (i) the trade date of the Variance Swap, (ii) whether the Variance Swap should be established as a long or short position, and (iii) the market exposure of the Variance Swap (being the degree to which the position is long or short). The Trading Signals are determined by the Signal Provider using a quantitative, non-discretionary process which combines technical trend indicators and macro indicators.

The Trading Signals are based on mathematical models, using a combination of (i) a statistical estimate of the level and trend of the spread between the short-dated realized volatility of the SPX Index and the level of the Chicago Board Options Exchange

Volatility Index<sup>®</sup> (the "**VIX Index**" or "**VIX**") (where the VIX Index is used as a measure of the implied volatility of the SPX Index), and (ii) the observation of selected market data across a variety of asset classes which have historically tended to indicate an increase in risk aversion in the financial markets generally, which may be termed 'macro risk'.

The Investment Manager shall be solely responsible for managing the Sub-Fund and the assets of the Sub-Fund, and exercising investment discretion in respect of the Sub-Fund in the context of the investment objective and market conditions. The Investment Manager shall in its sole discretion determine from time to time whether or not to use any Trading Signals.

The Variance Swaps held by the Sub-Fund may be staggered in overlapping tranches (each a "**Tranche**"). In such cases, the Investment Manager would enter into a separate Variance Swap for each Tranche. Typically, there would be a one-week time lag between each Tranche. At times of reduced market liquidity, the establishment of a new Variance Swap position for a Tranche may be postponed. The commercial terms of each Variance Swap, including whether the position is long or short, are determined independently for each Tranche.

The Company on behalf of the Sub-Fund will enter into Variance Swaps on an "unfunded" basis, meaning that no payment is made at the time that the Variance Swap is entered into. To the extent that the Sub-Fund's assets are not used to post collateral (as described under the heading "*Collateral*" below) to the OTC Counterparties (as defined below), the Company on behalf of the Sub-Fund will invest its assets in the Liquidity Portfolio, as further described below.

In order to manage some of the market risks associated with the investment in Variance Swaps, the Investment Manager may also buy or sell other volatility derivatives limited to futures and options on volatility indices.

### ***Liquidity Portfolio***

Pending the maturity of the Variance Swaps, the Company on behalf of the Sub-Fund may invest the net proceeds of any issue of Shares in cash deposits, government bonds, money market instruments, fixed or floating rate transferable securities (excluding asset-backed securities (ABS), credit default obligations (CDOs) and collateralized loan obligations (CLOs)) and other UCITS funds including money market funds.

The investment objective of the Liquidity Portfolio investments is capital preservation, rather than capital appreciation. The Liquidity Portfolio will be diversified in accordance with the UCITS requirements under the UCI Law and the UCITS Directive, as set out in Appendix A.

The Company on behalf of the Sub-Fund may also enter into repurchase, reverse repurchase and securities lending transactions for the purpose of efficient portfolio management.

The Company may further invest up to 100% of the net proceeds of any issue of Shares, in accordance with the principle of risk spreading, in transferable securities and money market instruments issued or guaranteed by a EU Member State, its local authorities, an OECD member country, a G-20 member country, or public international bodies of

which one or more EU Member State(s) are members, provided that in such event the Sub-Fund must hold securities from at least six different issues, but securities from any one issue may not account for more than 30% of the total amount.

The value of the Shares in the Sub-Fund will rise or fall depending on the performance of the Variance Swaps and any change in value of the Liquidity Portfolio. In addition, the value of Shares in each of the Hedged Classes of Shares will also be affected by the gains or losses arising from the FX Contracts associated with relevant Class. The Sub-Fund does not offer a protection of capital; however the maximum loss an investor may incur is limited to its investment in the Sub-Fund. There can be no assurance that the Sub-Fund will achieve its investment objective.

### **Investment restrictions**

The general investment restrictions set out in Appendix A under the heading D “*Investment Restrictions*” in the Prospectus apply to the Sub-Fund.

### ***Borrowings and Leverage***

In accordance with the general provisions set out in Appendix A under the heading E “*Borrowing and Lending Powers*”, the Company on behalf of the Sub-Fund may borrow up to 10% of the Net Asset Value of the Sub-Fund on a temporary basis.

The Sub-Fund may incur additional leverage through the use of Financial Derivative Instruments. Leverage is calculated by reference to the sum of the notional amounts of the Financial Derivative Instruments entered into by the Company on behalf of the Sub-Fund. The amount of leverage used by the Sub-Fund will vary from time to time, according to the economic terms of the Variance Swaps and other derivatives and is expected to be no greater than 400% of the Net Asset Value of the Sub-Fund. Under certain circumstances the leverage of the Sub-Fund can be higher.

The market risk and leverage of the Sub-Fund will be measured and monitored in accordance with Luxembourg laws and regulations.

### **Financial Instruments**

#### ***Variance Swaps and other Derivatives***

Variance Swaps are financial contracts that allow investors to gain exposure to the variance (squared volatility) of an underlying asset and, in particular, to trade future realized (or actual) volatility against current implied volatility.

Each Variance Swap consists of two legs, one of which is based on the realised volatility of the underlying (in this case the SPX Index), and a second which is a fixed amount (known as the 'variance strike price') which is established by reference to the level of the VIX Index as a measure of the implied volatility of the SPX Index.

The size of a Variance Swap is based on a notional amount expressed in terms of *vega* ('vega amount'). In financial mathematics, *vega* is a measure of the sensitivity of the value of a financial instrument to volatility.

The *vega* amount and the relative performance of the two legs determine the amount of profit or loss arising at the expiry of the Variance Swap.



In order to manage some of the market risks associated with the investment in Variance Swaps, the Investment Manager may also buy or sell other derivatives such as futures and options on volatility indices. Volatility indices are a measure of the implied volatility in certain markets.

The Company on behalf of the Sub-Fund will enter into Variance Swaps and other OTC Derivatives with one or more counterparties which satisfy the CSSF's eligibility criteria as set out in the Prospectus under Appendix A "*Investment Powers and Restrictions*" (each a "**OTC Counterparty**") in order to gain exposure to the variance of the SPX Index. The OTC Counterparties are selected by the Investment Manager from time to time. Futures and options on volatility indices can also be traded in exchange listed form in which case they are cleared on exchange via one or several clearing brokers.

### ***Foreign Exchange Currency Forward Contracts***

The Company on behalf of the Sub-Fund will enter into a separate FX Contract for each Class in respect of which it has exposure to movements in currency exchange rates (each such Class, a "**Hedged Class of Shares**"). The Management Company may delegate this function to a hedging agent. The Share Class section below specifies, for each Class, whether or not currency hedging applies. The Sub-Fund may enter into different FX Contracts to seek to hedge against changes in the values of the Hedged Classes of Shares as a result of changes in currency exchange rates between the Reference Currency and the relevant Share Class Currency.

All hedging transactions will be clearly attributable to a specific Class and therefore currency exposures of different Classes shall not be combined or offset and currency exposures of assets of the Sub-Fund shall not be allocated to separate Classes. Each Hedged Class of Shares shall bear the costs for the hedging transactions attributable to such Class and the Net Asset Value of each Hedged Class of Shares will reflect the costs and gains/losses of the hedging transactions attributable to such Class.

It is expected that the extent to which such currency exposure will be hedged may from time to time be less than or more than 100% of the Net Asset Value attributable to the relevant Class, whereupon the Management Company will keep the situation under review. Over-hedged or under-hedged positions are not the intention of the Sub-Fund, but may arise due to factors outside its control.

The Company on behalf of the Sub-Fund in respect of each Hedged Class of Shares may incur transaction costs in respect of currency hedging transactions. Any costs and gains/losses of the hedging transactions will accrue solely to the relevant Class.

The Company on behalf of the Sub-Fund will enter into FX Contracts with one or more counterparties which satisfy the CSSF's eligibility criteria as set out in the Prospectus under Appendix A "*Investment Powers and Restrictions*" (each a "**FX Counterparty**"). The FX Counterparties are selected by the Company on the advice of the Management Company from time to time.

### ***Collateral***

Where applicable, the parties to the Variance Swaps, the FX Contracts and the efficient portfolio management transactions (if any) (i.e. the Company on behalf of the Sub-Fund on the one hand and the OTC Counterparties, the FX Counterparties or the

counterparties to the efficient portfolio management transactions, respectively, on the other hand) may be required, under the terms of the relevant agreements, to provide Collateral, as further described below in the section headed "*Collateral*". Where the Company on behalf of the Sub-Fund is required to post Collateral, the costs associated with providing such Collateral will be reflected in the pricing of the relevant Contracts and will therefore ultimately impact the Net Asset Value of the Shares.

#### ***OTC Counterparties and FX Counterparties and Clearing Brokers***

The OTC Counterparties will be selected by the Investment Manager from time to time, and may include Citigroup Global Markets Limited or any of its affiliates.

Citibank N.A. or any of its affiliates, may, if selected by the Company, act as a FX Counterparty.

The clearing brokers will be selected by the Investment Manager from time to time.

Further details relating to the Variance Swaps, other OTC Derivatives and the FX Contracts are set out under the heading "*Documentation*" below.

#### ***Documentation***

The Variance Swaps and the FX Contracts, as well as other OTC Derivatives and efficient portfolio management transactions (as the case may be) (the "**Contracts**") will be collateralised to comply with applicable investment restrictions.

The Variance Swaps and the FX Contracts and other OTC Derivatives will each comprise an ISDA Master Agreement (including the Schedule and a Credit Support Annex) and a confirmation. On or shortly prior to the issue of Shares of any Class created in respect of the Sub-Fund in respect of which currency hedging applies, a new foreign exchange currency forward contract will be entered into by the Company on behalf of the Sub-Fund for such Class with the FX Counterparty. Separate FX Contracts will be entered into in respect of each Hedged Class of Shares. These FX Contracts will be renewed ('rolled over') on a periodic basis.

From time to time, appropriate modifications (for example, additional confirmations) may be made in relation to redemptions and subscriptions of Shares. In addition, the Contracts will include provisions relating to their termination (including early termination).

#### ***Collateral***

Each of the parties to a Contract may be required under the terms of such Contract to provide collateral (the "**Collateral**") to the other party so that its risk exposure to such counterparty is in compliance with the CSSF's UCITS requirements. The Company on behalf of the Sub-Fund will only accept Collateral that is compliant with the eligibility and diversification rules imposed on UCITS under the UCI Law and the UCITS Directive, the ESMA Guidelines 2014/937 and all applicable CSSF Circulars.

The Sub-Fund's exposure to a counterparty resulting from efficient portfolio management techniques and/or OTC Financial Derivatives Instruments shall be collateralised so as to ensure that its counterparty exposure complies with the UCITS requirements as detailed in Appendices A and B.

The costs associated with providing such Collateral will be reflected in the pricing of the relevant Contracts and will therefore ultimately impact the Net Asset Value of the Shares.

### ***Risk Management***

The Management Company has filed with the CSSF a risk management policy statement setting out how it intends to measure, monitor and manage the various risks associated with the Contracts it intends to enter into with one or more counterparties. The Company on behalf of the Sub-Fund will, for each Class, only enter into such contracts of the type listed in the risk management policy statement.

### ***Measurement of the Risk Exposure***

The global exposure of the Sub-Fund will be measured and monitored in accordance with the absolute Value at Risk approach.

VaR analysis is based on a statistical analysis of movements in the relevant market over a specified historical observation period of one year, in order to identify the potential losses which may occur during a specified “holding period”.

The absolute VaR of the Sub-Fund so determined shall not exceed 17.5% of its Net Asset Value, where such absolute VaR is determined daily on the basis of a 99% confidence interval and a holding period of 1 month.

### ***Listing***

Application may be made to the Luxembourg Stock Exchange for the listing of Shares on the official list of, and trading on the main market of, the Luxembourg Stock Exchange.

## **Risk Factors**

In addition to the risk factors set out in the Prospectus under section 16 “*Risk Factors*” in the Prospectus, the following risk factors must be considered.

### **General Risk Factors**

#### ***Potential Conflicts of Interest***

Citigroup Global Markets Limited and its affiliates (together, “**Citi**”) have various roles that may give rise to potential conflicts of interest in relation to the Shares. In addition to its roles as Global Distributor, Citi acts as Signal Provider, and may act as an OTC Counterparty, a FX Counterparty and/or a counterparty under various efficient portfolio management transactions (if any).

Citi entities will only have the duties and responsibilities expressly agreed to by them in their relevant capacities and will not be deemed to have other duties or responsibilities or be deemed to have a standard of care or fiduciary duty other than as expressly provided in respect of each capacity in which they act. In particular, Citi entities have no duties or responsibilities in relation to the Sub-Fund other than as set out under the Prospectus and this Annex.

Citi is not acting as investment manager or investment adviser and is not responsible for managing the Sub-Fund or the assets of the Sub-Fund. Consequently, it accepts no fiduciary obligations whatsoever in this respect to any Shareholders or any other party. Citi has no liability for the management of the Sub-Fund or its assets, and makes no statements or representation (including any advice as to investment, tax, legal or accounting matters) in connection with the Sub-Fund. Citi has no responsibility for the content of this Prospectus or any offering material in respect of the Sub-Fund. Citi shall use reasonable commercial efforts in the provision of Trading Signals, but is not responsible for their completeness, adequacy, suitability, accuracy, availability, timeliness and/or utility.

Citi and/or the Management Company may, for their own account (including for the purpose of hedging its obligations under the relevant Financial Derivative Instruments) or on behalf of their customers, trade in financial instruments, including derivatives, linked to the SPX Index or the VIX Index. These activities may result in conflicts of interest for Citi entities or the Management Company and may, directly or indirectly, affect the value (either positively or negatively) of the relevant indices and in turn the Net Asset Value of the Shares of the relevant Class(es).

Citi or the Management Company may also from time to time act as trustee, administrator, registrar, manager, custodian, investment manager or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Sub-Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Company. Each will, at all times, have regard in such event to its obligations to the Company and will endeavour to ensure that such conflicts are resolved fairly.

This risk factor should be read in conjunction with the risk factor headed “*Potential Conflicts of Interest*” in the Prospectus.

## **Risks Relating To The Shares**

### ***Risk of Losses***

The price of Shares can go up as well as down and investors may not realise their initial investment.

The investments and the positions held by the Sub-Fund are subject to various market risks, credit risks and operational risks, including: (i) fluctuations in the SPX Index, (ii) changes in expected ('implied') volatility of the SPX Index, (iii) changes in interest rates, (iv) reliability of counterparties and (v) operational efficiency in the actual implementation of the investment policy adopted by the Sub-Fund in order to realise such investments or take such positions.

At any time, the occurrence of any such risks are likely to generate a significant depreciation in the value of the Shares. Because of the risks embedded in the investment objective adopted by the Sub-Fund, the value of the Shares may decrease substantially and even fall to zero, at any time.

### ***Achievement of Sub-Fund's Investment Objective***

No assurance can be given that the Sub-Fund will achieve its Investment Objective. There is no assurance that the investment strategy, as presented in the "Investment Objective" and the "Investment Policy" sections in this Appendix will lead to a positive performance in the value of the Shares. The Sub-Fund could suffer losses at a time where concomitantly some financial markets experience appreciation in value.

### ***Counterparty Risk***

The Company on behalf of the Sub-Fund will have exposure to the risk of a default by one or more OTC Counterparties (as its counterparties to one or more Variance Swaps or other OTC Derivatives), one or more FX Counterparties (as its counterparties to one or more FX Contracts), one or more counterparty under the repurchase, reverse repurchase or securities lending transactions the Company on behalf of the Sub-Fund may enter into for efficient portfolio management purposes, and/or one or more Clearing Brokers.

### ***Concentration of Counterparty Risk***

The counterparties under the various Contracts may be one and the same entity, which may lead to a concentration of counterparty risk. Even though all Contracts will be collateralised in accordance with the applicable laws and regulations, such concentration may nevertheless affect the Sub-Fund's risk profile.

### ***Exchange Rate Risk***

The Investment Manager will attempt to reduce or minimize the effect of fluctuations in the exchange rate between the Reference Currency and the currency of denomination of Currency Hedged Classes on the value of the Currency Hedged Classes. Any profit and loss resulting from FX hedging will be allocated only to the Currency Hedged Class to which the specific hedge relates. Due to the foregoing, each Class of Shares may differ from each other in their overall performance.

It is expected that the extent to which the currency exposures of each Hedged Class of Shares will be hedged may from time to time be less than or more than 100% of the Net Asset Value attributable to the relevant Class, whereupon the Investment Manager will keep the situation under review. Over-hedged or under-hedged positions are not the intention of the Sub-Fund, but may arise due to factors outside the control of the Sub-Fund.

There is no guarantee that any FX hedging for Currency Hedged Classes will achieve the objective of reducing the effect of exchange rate fluctuations. Investors in Shares of a Currency Hedged Class should be aware that the hedging strategy may substantially limit them from benefitting if the Class Currency falls in value against the Reference Currency.

### ***Early Termination of the Sub-Fund***

The Sub-Fund may be terminated by the Directors in accordance with the terms of this Prospectus and the Articles of Incorporation in the event that *inter alia* the derivative contracts entered into in respect of the Sub-Fund are terminated early. In the event of the termination of the Sub-Fund, Shareholders may not receive the full amount they have invested, depending on the performance of the Sub-Fund as at the time of such termination; Shareholders will receive the Net Asset Value at termination of the Sub-Fund. Please refer to Section 6 "*Termination of a Sub-Fund and/or Class of Shares*" of this Prospectus.

### ***Costs of Collateral***

The costs associated with counterparties providing Collateral under the Contracts will be reflected in the pricing of such Contracts and will therefore ultimately impact the Net Asset Value of the Shares.

## **Risks Relating to the Investment Policy**

### ***Variance Trading Strategy Risk***

The performance of the Sub-Fund is dependent on the gains and losses resulting from the positions taken by the Sub-Fund in successive Variance Swaps referencing the SPX Index. The Net Asset Value will decline as a result of a fall in the value of the Variance Swap positions. Investors in the Sub-Fund should therefore be familiar with the risks associated with variance swaps generally.

### ***Variance Swap Risk***

The value of a Variance Swap is dependent on (i) the realized volatility of the SPX Index over the term of the Variance Swap as compared to the strike of the Variance Swap which is established by reference to the implied volatility of the SPX Index at the time that the Variance Swap was entered into, (ii) the implied volatility of the SPX Index for the remaining terms of the Variance Swap and changes in expected ('implied') volatility of the SPX Index.

A short variance position on the SPX Index will lose money if the realized volatility of the SPX Index is greater than the strike volatility of the SPX Index. Similarly, a long variance position on the SPX Index will lose money if the realized volatility of the SPX Index is lower than the strike volatility of the SPX Index.

Realized volatility can increase rapidly as a result of significant market moves, regardless of the direction of such a move, but particularly during periods of significant equity market falls. This means that a short variance position on the SPX Index could generate a significant loss as a result of a fall in the level of the SPX Index. A rapid increase in the level of the SPX Index could have the same effect on a short variance position.

In order to manage some of the market risks associated with the investment in variance swaps, the Investment Manager may also buy or sell other volatility derivatives such as futures and options on volatility indices. There is no guarantee that such positions effectively mitigate the risks associated with variance swaps. Further, in adverse market conditions, such positions might lead to losses.

### ***Convexity Risk***

The payoff of a variance swap on the SPX Index is based on the square of the realized volatility of the SPX Index. The payoff therefore has a convex relationship with volatility. As an example, increases in volatility compared to the strike volatility will have a magnifying effect on the losses associated with a short variance swap position (and decreases in volatility compared to the strike volatility will result in reduced profits on a short variance swap position) as compared to a volatility swap.

### ***Trading Signal Limitations***

The Investment Manager uses the Trading Signals provided by the Signal Provider to assist it in determining both (i) the direction (i.e., long or short) of each Variance Swap position, and (ii) the market exposure of each such Variance Swap position, i.e. the degree to which the relevant Variance Swap position is long or short.

The Trading Signals determine the market exposure of each Variance Swap independently. The Trading Signals result in a market exposure for each Variance Swap which can vary from a short position to a long position. Once the Variance Swap position is notionally entered into, its market exposure remains constant for the term of that Variance Swap.

Although the Trading Signals are designed with the aim of enabling the Sub-Fund to vary its market exposure in response to changes in market conditions which are identified by the Trading Signals, the Trading Signals may not work as intended.

### ***Model Precision***

The Investment Manager will to a large extent, though not exclusively, rely on the Trading Signals to determine the terms of the Variance Swaps which it notionally enters into. The Trading Signals are based on complex calculation models which are sensitive to the precision of both the original inputs and the interim calculations. Each of these is in turn dependent on the rounding conventions used in the financial market for the primary data and the rounding conventions determined appropriate by the Signal Provider at each stage of the calculation process.

### ***Risks associated with Leverage***

Through its exposure to the Variance Swaps, the Sub-Fund provides leveraged exposure to changes in the volatility of the SPX Index. Leverage (which is discussed above under

the heading “*Borrowings and Leverage*”) will increase the potential for gain but will also increase the risk of loss.

### ***Trading Costs***

The trading costs associated with entering into the Variance Swaps will act as a drag on the performance of the Sub-Fund.

### ***Disruption Events***

The scheduled roll of a Variance Swap position may be delayed as a consequence of the occurrence of a market disruption event. In such circumstances there will be a period during which the relevant Tranche is not exposed to market movements and this may result in underperformance of the Sub-Fund.

**This list of additional risk factors is not intended to be exhaustive. Prospective investors should seek such advice as they consider necessary from their professional advisors, investment, legal, tax or otherwise.**



## **Fees and Expenses**

### **General**

The following fees and expenses will be incurred by the Company on behalf of the Sub-Fund and will affect the Net Asset Value per Share of each Class issued in respect of the Sub-Fund. This section headed "*Fees and Expenses*" should be read in conjunction with section 21 "*Company Charges*" of this Prospectus.

### **Management Fee**

The Management Fee in respect of each Class is specified in the Share Class section of this Annex. The Management Fee in respect of each Class will accrue on each Business Day, and will be calculated on each Business Day with reference to the Net Asset Value of such Class on the immediately preceding Business Day. The Management Fee will be deducted from the prevailing Net Asset Value of each Share of each Class, and will be paid monthly in arrears.

The Management Fee will be used to make payments to the Management Company, the Signal Provider and the Distributor. The Management Fee will not include the other costs and expenses described below under "Other Costs and Expenses".

### **Other Costs and Expenses**

The Company on behalf of the Sub-Fund will pay in respect of each Class up to 0.20% p.a. of the Net Asset Value of such Class in Other Costs and Expenses.

## **General Information Relating to the Sub-Fund**

### **Business Day**

Any day:

1. on which commercial banks are open for the full day for business and settle payments (including dealings in foreign exchange and foreign currency deposits) in Luxembourg, London and New York;
2. which is a scheduled trading day for the New York Stock Exchange; and
3. on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) system 2 (TARGET 2) is open.

### **Dealing Day**

Any Business Day.

### **Valuation Day**

Any Dealing Day.

### **Valuation Time**

5.00 p.m. (New York time) on a Dealing Day.

### **Sub-Fund Subscription Deadline**

### **Sub-Fund Conversion Deadline**

### **Sub-Fund Redemption Deadline**

9.30 a.m. (Luxembourg time) on the relevant Dealing Day. The Directors may elect to extend this deadline to 12.00 noon (Luxembourg time) in their sole and absolute discretion (any such extended deadline would apply to all investors).

### **Settlement Date**

In the case of subscriptions, up to two Business Days after the relevant Dealing Day assuming the receipt prior to the Sub-Fund Subscription Deadline for such Dealing Day of the relevant signed subscription application and the availability of cleared funds, each as confirmed by the Administrator.

In the case of redemptions, up to five Business Days after the relevant Dealing Day, assuming receipt of the relevant signed redemption request prior to the Sub-Fund Redemption Deadline for such Dealing Day, as confirmed by the Administrator.

### **Dilution Levy**

As described in this Prospectus under section 26 “*Dilution Levy*”, the Directors may adjust, in the case of large net subscriptions, the Net Asset Value per Share by adding or, in the case of large net redemptions, the Redemption Price by deducting, a Dilution Levy of up to 2% of the Net Asset Value.

**Distribution Policy**

The Board of Directors may declare dividends for certain Classes as specified in the Share Class Section (and each such Class shall be a distribution Class). The declaration and payment of dividends shall be in accordance with the dividend policy of the Company.

**Minimum Sub-Fund Size**

USD 50,000,000 (or the equivalent in such other relevant currency) or such other amount as the Directors may determine from time to time in their sole and absolute discretion.

**Reference Currency**

US Dollars (USD)

**Investment Manager**

Assenagon Asset Management S.A.

**Signal Provider**

Citigroup Global Markets Limited

**Custodian and Paying Agent**

Citibank Europe plc, Luxembourg Branch

**OTC Counterparty**

(i.e. the approved counterparty for the purposes of the Variance Swaps and other OTC Derivatives)

An entity or entities (including, without limitation, Citigroup Global Markets Limited (\*) or any of its affiliates) to be selected by the Company on the advice of the Management Company in its role as Investment Manager. The Shareholders may obtain information about the selected entity or entities from the Company by contacting it at the registered office shown in the Prospectus under the heading “*Organization of the Company*”.

**FX Counterparty**

(i.e. the approved counterparty for the purpose of the FX Contracts).

An entity or entities to be selected by the Company on the advice of the Management Company in its role as Investment Manager. The Shareholders may obtain information about the selected entity or entities from the Company by contacting it at the address shown in the Prospectus under the heading “*Organization of the Company*”.

**Clearing Broker**

(i.e. the approved broker for the purpose of clearing liabilities and claims stemming from exchange listed derivatives)

An entity or entities to be selected by the Company on the advice of the Management Company in its role as Investment Manager. The Shareholders may obtain information about the selected entity or entities from the Company by contacting it at the address shown in the Prospectus under the heading “*Organization of the Company*”.

(\*) Citigroup Global Markets Limited is an affiliate of the Custodian, Citibank Europe plc, Luxembourg Branch.

| <b>Share Class Section</b>                  |                              |                              |                |                |                |
|---|------------------------------|------------------------------|----------------|----------------|----------------|
| <b>Accumulation Classes</b>                 |                              |                              |                |                |                |
| <b>Classes</b>                              | <b>"Z"</b>                   | <b>"I"</b>                   | <b>"D"</b>     | <b>"C"</b>     | <b>"A"</b>     |
| <b>Share Class Currencies</b>               | USD, GBP, EUR, CHF, JPY      |                              |                |                |                |
| <b>Hedged Classes of Shares</b>             | All except USD               |                              |                |                |                |
| <b>Initial Offer Period</b>                 | 16 January 2014              |                              |                |                |                |
| <b>Restriction on the type of Investors</b> | Institutional Investors only | Institutional Investors only | N/A            | N/A            | N/A            |
| <b>Initial Subscription Day</b>             | 16 January 2014              |                              |                |                |                |
| <b>Initial Price*</b>                       | 100                          | 100                          | 100            | 100            | 100            |
| <b>Minimum Initial Investment*</b>          | 100,000,000                  | 1,000,000                    | 100,000        | 50,000         | 50,000         |
| <b>Minimum additional investment</b>        | N/A                          |                              |                |                |                |
| <b>Minimum redemption amount</b>            | N/A                          |                              |                |                |                |
| <b>Minimum Shareholding*</b>                | 100,000,000                  | 1,000,000                    | 100,000        | 50,000         | 50,000         |
| <b>Minimum Class size*</b>                  | 10,000,000                   | 10,000,000                   | 10,000,000     | 10,000,000     | 10,000,000     |
| <b>Management Fee</b>                       | 0.00% p.a.                   | 0.75% p.a.                   | 1.00% p.a.     | 1.25% p.a.     | 1.50% p.a.     |
| <b>Performance fee</b>                      | N/A                          |                              |                |                |                |
| <b>Other costs and expenses</b>             | Max 0.20% p.a.               | Max 0.20% p.a.               | Max 0.20% p.a. | Max 0.20% p.a. | Max 0.20% p.a. |
| <b>Subscription Commission</b>              | 0%                           | 0%                           | 0%             | Up to 5%       | Up to 5%       |
| <b>Dilution Levy</b>                        | Up to 2%                     |                              |                |                |                |
| <b>Redemption Commission</b>                | N/A                          |                              |                |                |                |
| <b>Conversion allowed</b>                   | No                           | Yes                          | No             | Yes            | No             |
| <b>Conversion Commission</b>                | N/A                          | N/A                          | N/A            | N/A            | N/A            |

| Share Class Section  |     |  |  |  |     |
|----------------------|-----|--|--|--|-----|
| Accumulation Classes |     |  |  |  |     |
| Classes              | "Z" | "I"  | "D"  | "C"  | "A" |
| ISIN                 | -   | USD:<br>LU09963459<br>62<br><br>EUR:<br>LU09963460<br>02<br><br>GBP:<br>LU10137477<br>76 | USD:<br>LU0996345<br>707<br><br>EUR:<br>LU0996345<br>889<br><br>GBP:<br>LU1013747<br>347 | USD:<br>LU0996345<br>533<br><br>EUR:<br>LU0996345<br>616<br><br>GBP:<br>LU1013747<br>263 | -   |

\* Amounts are expressed in the currency of the relevant Share Class with the exception of Share Classes denominated in Japanese Yen where the amounts are expressed in 100 of Yens.

The Management Fee, and Other Costs and Expenses will be calculated by reference to the prevailing NAV of each Share Class on a daily basis.

Certain Share Classes are expressed to be restricted to investment by “Institutional Investors only” and may only be available to certain investors at specific times. Investors are advised to contact the Distributor for further information.

| <b>Share Class Section</b>                  |                              |  |                |                |
|---|------------------------------|--|----------------|----------------|
| <b>Distribution Classes</b>                 |                              |  |                |                |
| <b>Classes</b>                              | <b>"ZD"</b>                  | <b>"ID"</b>                                      | <b>"DD"</b>    | <b>"CD"</b>    |
| <b>Share Class Currencies</b>               | USD, GBP, EUR, CHF, JPY      |  |                |                |
| <b>Hedged Classes of Shares</b>             | All except USD               |  |                |                |
| <b>Restriction on the type of Investors</b> | Institutional Investors only | Institutional Investors only                     | N/A            | N/A            |
| <b>Initial Price*</b>                       | 100                          | 100  | 100            | 100            |
| <b>Minimum Initial Investment*</b>          | 100,000,000                  | 1,000,000  | 100,000        | 50,000         |
| <b>Minimum additional investment</b>        | N/A                          |  |                |                |
| <b>Minimum redemption amount</b>            | N/A                          |  |                |                |
| <b>Minimum Shareholding*</b>                | 100,000,000                  | 1,000,000  | 100,000        | 50,000         |
| <b>Minimum Class size*</b>                  | 10,000,000                   | 10,000,000                                       | 10,000,000     | 10,000,000     |
| <b>Management Fee</b>                       | 0.00% p.a.                   | 0.75% p.a.                                       | 1.00% p.a.     | 1.25% p.a.     |
| <b>Performance fee</b>                      | N/A                          |  |                |                |
| <b>Other costs and expenses</b>             | Max 0.20% p.a.               | Max 0.20% p.a.                                   | Max 0.20% p.a. | Max 0.20% p.a. |
| <b>Subscription Commission</b>              | 0%                           | 0%   | 0%             | Up to 5%       |
| <b>Dilution Levy</b>                        | Up to 2%                     |  |                |                |
| <b>Redemption Commission</b>                | N/A                          |  |                |                |
| <b>Conversion allowed</b>                   | No                           | Yes  | No             | Yes            |
| <b>Conversion Commission</b>                | N/A                          | N/A  | N/A            | N/A            |
| <b>ISIN</b>                                 | -                            | USD:<br>LU1120978991<br><br>EUR:<br>LU1120978728 | -              | -              |

\* Amounts are expressed in the currency of the relevant Share Class with the exception of Share Classes denominated in Japanese Yen where the amounts are expressed in 100 of Yens.

The Management Fee, and Other Costs and Expenses will be calculated by reference to the prevailing NAV of each Share Class on a daily basis.

Certain Share Classes are expressed to be restricted to investment by “Institutional Investors only” and may only be available to certain investors at specific times. Investors are advised to contact the Distributor for further information.



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## Red Arc Global Investments (Luxembourg) SICAV

### European Equity Absolute Return Fund

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#### Introduction

This annex (the “**Annex**”) contains information in relation to Classes of Shares issued in the European Equity Absolute Return Fund (the “**Sub-Fund**”), which is a sub-fund of Red Arc Global Investments (Luxembourg) SICAV (the “**Company**”), an undertaking for collective investment in transferable securities (a “**UCITS**”) with multiple compartments pursuant to Part I of the Luxembourg law of 17 December 2010 on undertakings for collective investment (the “**UCI Law**”) and Directive 2009/65/EC of the European Union Parliament and of the Council of 13 July 2009 (the “**UCITS Directive**”).

The Directors (whose names appear in section 1 “*Organization of the Company*” of this Prospectus) accept responsibility for the information contained in this Annex.

The Directors of the Company expect that the Net Asset Value of the Sub-Fund will have a medium to high volatility, through investment in Financial Derivative Instruments.

Unless otherwise defined in this Annex, words and expressions used herein will have the same meaning as in the rest of this Prospectus.

#### Profile of a Typical Investor

Subject to their personal circumstances, the Sub-Fund may be suitable for investors who seek a dynamic exposure (with some potential for a positive return and capital growth) to the European equity market, and who understand and are willing to accept the risk of capital loss with a medium to high degree of volatility.

An investment in the Sub-Fund is not a deposit in a bank or other insured depositary institution. Investment in the Sub-Fund may not be appropriate for all investors. The Sub-Fund is not intended to be a complete investment programme and investors should consider their long-term investment goals and financial needs when making an investment decision about the Sub-Fund. An investment in the Sub-Fund is intended to be a long-term investment. The Sub-Fund should not be used as a trading vehicle.

#### Investment Objective

The investment objective of the Sub-Fund is to achieve a positive return and capital growth through following a mean reversion trading strategy (the “**Strategy**”) of taking a variable exposure to the performance of a benchmark index which represents the European equity market, the Eurostoxx 50 Index (the “**Reference Index**”).

## **Investment Policy**

In order to achieve its investment objective, the Investment Manager on behalf of the Sub-Fund will invest the net proceeds of any issue of Shares in eligible assets under the UCI Law and the UCITS Directive, including (i) one or more swaps (in order to pursue the Sub-Fund's investment objective); (ii) assets held for liquidity purposes, including cash deposits, government bonds, money market instruments and units of other UCITS, as further described below under the heading "*Liquidity Portfolio*"; and (iii) foreign exchange currency contracts (the "**FX Contracts**") (in order to smooth out the currency exposure to which the Company on behalf of the Sub-Fund will be exposed in respect of the Classes denominated in currencies which are not the same as the Reference Currency of the Sub-Fund).

In order to pursue the Sub-Fund's investment objective, the Investment Manager on behalf of the Sub-Fund will enter into one or more swaps (each, a "**Swap**") which will give the Sub-Fund an investment exposure to the Reference Index.

### ***The Mean Reversion Trading Strategy***

The direction and extent of the exposure that the Sub-Fund will have to the Reference Index under a Swap will be determined from time to time by the Investment Manager, in order to seek to benefit from the tendency that the level of the Reference Index has historically exhibited to revert to its mean level. The mean (or average) of the level of the Reference Index over time can be described as its "trend-line", and on a particular day, the level of the Reference Index will be above, below or on that trend-line.

On the occasions when the level of the Reference Index is below its trend-line, a positive (or "long") exposure to the performance of the Reference Index will realise an investment gain if the level of the Reference Index rises towards its trend-line (or, in other words, reverts to its mean).

Similarly, on the occasions when the level of the Reference Index is above its trend-line, a negative (or "short") exposure to the performance of the Reference Index will also realise an investment gain if the level of the Reference Index declines towards its trend-line (or, in other words, reverts to its mean).

Conversely, the Sub-Fund will realise an investment loss if (i) the level of the Reference Index declines at a time when the Sub-Fund has a positive (or "long") exposure to the performance of the Reference Index, or (ii) the level of the Reference Index rises at a time when the Sub-Fund has a negative (or "short") exposure to the performance of the Reference Index.

The volatility of the performance of the Reference Index is a measure of the degree to which that performance varies, whether upwards or downwards, and therefore is a measure of risk. On the occasions when the volatility of the performance of the Reference Index tends to be high, the risk of investment losses tends to increase, and on the occasions when volatility tends to be low, investment gains tend to be muted. The effects of changes in the volatility of the performance of the Reference Index may be smoothed out by adjusting the extent of an exposure to the performance of the Reference Index, whether positive (or "long") or negative (or "short").

To assist it in determining the timing of changes in the direction and extent of the exposure to the Reference Index that the Sub-Fund should have, the Investment Manager intends to make use of a proprietary methodology (the “**Mean Reversion Methodology**”) developed by Citigroup Global Markets Limited. Accordingly, the Investment Manager intends to acquire a licence from Citigroup Global Markets Limited (the “**Methodology Licensor**”) to use the Mean Reversion Methodology. Application of the Mean Reversion Methodology will generate technical trading signals (the “**Trading Signals**”), which are designed with the aim of identifying the direction and extent that an investment exposure to the Reference Index should have in order to realise investment gains from the tendency that the Reference Index has historically exhibited to revert to its mean level. However, it should be noted that the Trading Signals may not always be successful in identifying the optimal direction and extent of an exposure to the Reference Index. The Trading Signals are determined through the application of a quantitative process and take the form of identifying the amount of the notional exposure that a Swap should create to the Reference Index.

The Investment Manager shall be solely responsible for managing the Sub-Fund and the assets of the Sub-Fund, and for exercising investment discretion in respect of the Sub-Fund in the context of the investment objective and market conditions. The Investment Manager shall in its sole discretion determine from time to time whether or not to use any Trading Signals.

### ***The Swaps***

The Company on behalf of the Sub-Fund will enter into one or more Swap either on a “funded basis”, a “partially-funded basis” or an “unfunded basis”. Where the Company on behalf of the Sub-Fund enters into a Swap on a funded basis or a partially-funded basis, it will make a payment to its counterparty under the Swap at the time when the Swap is entered into, using the net proceeds of any issue of Shares, and it will invest the part of the net proceeds of any issue of Shares remaining (after making a payment to its counterparty under the Swap) in the Liquidity Portfolio, as further described below. Where the Company on behalf of the Sub-Fund enters into a Swap on an unfunded basis, it will not make a payment to its counterparty under the Swap at the time when the Swap is entered into, and it will instead invest the net proceeds of any issue of Shares in the Liquidity Portfolio, as further described below.

The Investment Manager will assess whether a Swap is entered into on a funded basis or an unfunded basis, for the purposes of efficient portfolio management.

### ***Liquidity Portfolio***

Pending the maturity of the Swaps, the Company on behalf of the Sub-Fund may invest all or a part of the net proceeds of any issue of Shares in cash deposits, government bonds, money market instruments, fixed or floating rate transferable securities (excluding asset-back securities (ABS), credit default obligations (CDOs) and collateralized loan obligations (CLOs)) and other UCITS funds including money market funds.

The investment objective of the Liquidity Portfolio is capital preservation, rather than capital growth. The Liquidity Portfolio will be diversified in accordance with the UCITS requirements under the UCI Law and the UCITS Directives, as set out in this Prospectus in Appendix A “*Investment Powers and Restrictions*”.

The Company on behalf of the Sub-Fund may also enter into repurchase, reverse repurchase and securities lending transactions for the purposes of efficient portfolio management.

The Company may further invest up to 100% of the net proceeds of any issue of Shares, in accordance with the principles of risk-spreading, in transferable securities and money market instruments issued or guaranteed by an EU Member State, its local authorities, an OECD member country, a G-20 member country, or public international bodies of which one or more EU Member States are members, provided that in such event the Sub-Fund must hold securities from at least six different issues, and securities from any one issue may not account for more than 30% of the total amount.

The value of the Shares in the Sub-Fund will rise or fall depending on the performance of the Swaps and any change in the value of the Liquidity Portfolio. In addition, the value of Shares in each of the Hedged Classes of Shares will also be affected by the gains or losses arising from the FX Contracts associated with the relevant Class. The Sub-Fund does not offer a protection of capital. However, the maximum loss that an investor may incur is limited to its investment in the Sub-Fund. There can be no assurance that the Sub-Fund will achieve its investment objective.

### **Investment restrictions**

The general investment restrictions set out under heading D “*Investment Restrictions*” in Appendix A “*Investment Powers and Restrictions*” of this Prospectus apply to the Sub-Fund.

### ***Borrowings and Leverage***

In accordance with the general provisions set out under heading E “*Borrowing and Lending Powers*” in Appendix A “*Investment Powers and Restrictions*”, the Company on behalf of the Sub-Fund may borrow up to 10% of the Net Asset Value of the Sub-Fund on a temporary basis.

The Sub-Fund may incur additional leverage through the use of Financial Derivative Instruments. Leverage is calculated by reference to the sum of the notional amounts of the Financial Derivative Instruments entered into by the Company on behalf of the Sub-Fund. The amount of leverage incurred by the Sub-Fund through the Swap or Swaps (as relevant) will vary from time to time, according to the economic terms of the Swap or Swaps (as relevant) and is expected to be no greater than 100% of the Net Asset Value of the Sub-Fund.

The use of FX Forward Contracts in respect of Currency Hedged Classes may result in the leverage incurred in respect of the Currency Hedged Classes exceeding 100% of the Net Asset Value of the Currency Hedged Classes.

The market risk and leverage of the Sub-Fund will be measured and monitored in accordance with Luxembourg laws and regulations.

## Financial Instruments

### *Swaps*

Swaps are financial contracts which allow investors to gain exposure to an underlying asset.

Periodically under each Swap the exposure that the Company on behalf of the Sub-Fund has to the Reference Index is determined by the Investment Manager (in terms of both direction and extent, as discussed above under the headings “*Investment Policy*” and “*The Mean Reversion Trading Strategy*”), following the Strategy.

When a Swap is entered into, the Strategy is given an initial notional level, and over time, the notional level of the Strategy increases if the exposure that the Sub-Fund has to the Reference Index generates a positive return, and the notional level of the Strategy decreases if the exposure that the Sub-Fund has to the Reference Index generates a negative return. The notional level of the Strategy will also be reduced to reflect the transaction costs associated with each adjustment of the Sub-Fund’s exposure to the Reference Index.

Where a Swap is entered into on a funded basis, at the end of the term of the Swap, the Company on behalf of the Sub-Fund receives a payment from the relevant Swap Counterparty, the amount of which is determined with reference to the final notional level of the Strategy. Taking into account the payment made by the Company on behalf of the Sub-Fund when it entered into the Swap, the Sub-Fund either realises a net gain if the final notional level of the Strategy is higher than its initial notional level, or realises a net loss if the final notional level of the Strategy is lower than its initial notional level. Where a Swap is entered into on a partially-funded basis or an unfunded basis, at the end of the term of the Swap, the Company on behalf of the Sub-Fund will receive a payment from the relevant Swap Counterparty if the final notional level of the Strategy is higher than its initial notional level, and the Company on behalf of the Sub-Fund will make a payment to the relevant Swap Counterparty if the final notional level of the Strategy is lower than its initial notional level. At the end of the term of a Swap, the Company on behalf of the Sub-Fund will usually enter into one or more new Swaps.

Where a Swap is entered into on a funded basis or a partially-funded basis, the terms of the Swap may also provide that the Company on behalf of the Sub-Fund will receive payments from the relevant Swap Counterparty of a market-standard interest rate in the Reference Currency.

The Company on behalf of the Sub-Fund will enter into one or more Swaps with one or more counterparties which satisfy the CSSF’s eligibility criteria as set out in this Prospectus in Appendix A “*Investment Powers and Restrictions*” (each, a “**Swap Counterparty**”). The Swap Counterparties are selected by the Company on the advice of the Investment Manager from time to time.

### *Foreign Exchange Currency Forward Contracts*

The Company on behalf of the Sub-Fund will enter into a separate FX Contract for each Class in respect of which it has exposure to movements in currency exchange rates (i.e. each Hedged Class of Shares). The Management Company may delegate this function to a hedging agent. The Share Class section below specifies, for each Class, whether or

not currency hedging applies. The Sub-Fund may enter into different FX Contracts to seek to hedge against changes in the values of the Hedged Classes of Shares as a result of changes in currency exchange rates between the Reference Currency and the relevant Share Class Currency.

All hedging transactions will be clearly attributable to a specific Class and therefore currency exposures of different Classes shall not be combined or offset, and currency exposures of assets of the Sub-Fund shall not be allocated to separate Classes. Each Hedged Class of Shares shall bear the costs of the hedging transactions attributable to such Class, and the Net Asset Value of each Hedged Class of Shares will reflect the costs and gains/losses of the hedging transactions attributable to such Class.

It is expected that the extent to which such currency exposure will be hedged may from time to time be less than or more than 100% of the Net Asset Value attributable to the relevant Class, whereupon the Management Company will keep the situation under review. Over-hedged or under-hedged positions are not the intention of the Sub-Fund, but may arise due to factors outside its control.

The Company on behalf the Sub-Fund in respect of each Hedged Class of Shares may incur transaction costs in respect of currency hedging transactions. Any costs and gains/losses of the hedging transactions will accrue solely to the relevant Class.

The Company on behalf of the Sub-Fund will enter into FX Contracts with one or more counterparties which satisfy the CSSF's eligibility criteria as set out in Appendix A "*Investment Powers and Restrictions*" of this Prospectus (each, an "**FX Counterparty**"). The FX Counterparties are selected by the Company on the advice of the Management Company from time to time.

### ***Collateral***

Where applicable, the parties to the Swaps, the FX Contracts and the efficient portfolio management transactions (if any) (i.e. the Company on behalf of the Sub-Fund on the one hand and the Swap Counterparties, the FX Counterparties or the counterparties to the efficient portfolio management transactions, respectively, on the other hand) may be required, under the terms of the relevant agreements, to provide Collateral, as further described below under the headings "*Swap Counterparties and FX Counterparties*" and "*Collateral*". Where the Company on behalf of the Sub-Fund is required to post Collateral, the costs associated with providing such Collateral will be reflected in the pricing of the relevant Contracts and will therefore ultimately impact the Net Asset Value of the Shares.

### ***Swap Counterparties and FX Counterparties***

The Swap Counterparties will be selected by the Company on the advice of the Investment Manager from time to time and may include Citigroup Global Markets Limited or any of its affiliates.

The FX Counterparties will be selected by the Company on the advice of the Management Company from time to time, and may include Citibank, N.A. or any of its affiliates.

Further details relating to the Swaps and the FX Contracts are set out under the heading “*Documentation*” below.

### ***Documentation***

The Swaps and the FX Contracts, as well as other efficient portfolio management transactions (as the case may be) (the “**Contracts**”), will be collateralized to comply with applicable investment restrictions.

The Swaps and the FX Contracts will each comprise an ISDA Master Agreement (including the Schedule and, if applicable, Credit Support Annex) and a confirmation. On or shortly prior to the issue of Shares of any Class created in respect of the Sub-Fund in respect of which currency hedging applies, a new foreign exchange currency forward contract will be entered into by the Company on behalf of the Sub-Fund for such Class with the FX Counterparty. Separate FX Contracts will be entered into in respect of each Hedged Class of Shares. These FX Contracts will be renewed (“rolled over”) on a periodic basis.

From time to time, appropriate modifications (for example, additional confirmations) may be made in relation to redemptions and subscriptions of Shares. In addition, the Contracts will include provisions relating to their termination (including early termination).

### ***Collateral***

Each of the parties to a Contract may be required under the terms of such Contract to provide collateral (the “**Collateral**”) to the other party so that its risk exposure to such counterparty is in compliance with the CSSF’s UCITS requirements. The Company on behalf of the Sub-Fund will only accept Collateral that is compliant with the eligibility and diversification rules imposed on UCITS under the UCI Law and the UCITS Directive, the ESMA Guidelines 2014/937 and all applicable CSSF Circulars.

The Sub-Fund’s exposure to a counterparty resulting from efficient portfolio management techniques and/or OTC Derivatives shall be collateralized so as to ensure that its counterparty exposure complies with the UCITS requirements as detailed in Appendix A “*Investment Powers and Restrictions*” and Appendix B “*Special Techniques and Instruments*” of this Prospectus.

The costs associated with providing such Collateral will be reflected in the pricing of the relevant Contracts and will therefore ultimately impact the Net Asset Value of the Shares.

### **Risk Management**

The Management Company has filed with the CSSF a risk management policy statement setting out how it intends to measure, monitor and manage the various risks associated with the Contracts it intends to enter into with one or more counterparties. The Company on behalf of the Sub-Fund will, for each Class, only enter into such contracts of the type listed in the risk management policy statement.

### ***Measurement of the Risk Exposure***

The global exposure of the Sub-Fund will be measured and monitored in accordance with the relative VaR (“value at risk”) approach.

VaR analysis is based on a statistical analysis of movements in the relevant market over a specified historical observation period of one year, in order to identify the potential losses which may occur during a specified “holding period”.

The relative VaR of the Sub-Fund will be determined as the fraction of the VaR of the Sub-Fund divided by the VaR of the derivative-free benchmark that is used for the purposes of the measurement of the risk exposure. The relative VaR of the Sub-Fund will be determined daily on the basis of a 99% confidence interval and a holding period of one month, and shall not exceed 200%. The derivative-free benchmark for this purpose is the Reference Index.

### ***Listing***

Application may be made to the Luxembourg Stock Exchange for the listing of Shares on the official list of, and trading on the main market of, the Luxembourg Stock Exchange.



## **Risk Factors**

In addition to the risk factors set out in the Prospectus under section 16 “*Risk Factors*” in the Prospectus, the following risk factors must be considered.

### **General Risk Factors**

#### ***Potential Conflicts of Interest***

Citigroup Global Markets Limited and its affiliates (together, “**Citi**”) have various roles that may give rise to potential conflicts of interest in relation to the Shares. In addition to its roles as Global Distributor, Citi acts as Methodology Licensor, and may act as an OTC Swap Counterparty, an FX Counterparty and/or a counterparty under various efficient portfolio management transactions (if any).

Citi entities will only owe the duties and responsibilities expressly agreed to by them in their relevant capacities and will not be deemed to owe other duties or responsibilities or be deemed to owe a standard of care or fiduciary duty other than as expressly provided in respect of each capacity in which they act. In particular, Citi entities owe no duties or responsibilities in relation to the Sub-Fund other than as set out in this Prospectus, including this Annex.

Citi is not acting as investment manager or investment adviser and is not responsible for managing the Sub-Fund or the assets of the Sub-Fund. Consequently, it accepts no fiduciary obligations whatsoever in this respect to any Shareholders or any other party. Citi has no liability for the management of the Sub-Fund or its assets, and makes no statements or representation (including any advice as to investment, tax, legal or accounting matters) in connection with the Sub-Fund. Citi has no responsibility for the content of this Prospectus or any offering material in respect of the Sub-Fund. Citigroup Global Markets Limited has used reasonable commercial efforts in developing the Mean Reversion Methodology, but is not responsible for the completeness, adequacy, suitability, accuracy and/or utility of the Mean Reversion Methodology.

Citi and/or the Management Company may, for their own account (including for the purpose of hedging their obligations under the relevant Financial Derivative Instruments) or on behalf of their customers, trade in financial instruments, including derivatives, linked to the Reference Index. These activities may result in conflicts of interest for Citi entities or the Management Company and may, directly or indirectly, affect the value (either positively or negatively) of the Reference Index and in turn the Net Asset Value of the Shares of the relevant Class(es).

Citi and/or the Management Company may also from time to time act as trustee, administrator, registrar, manager, custodian, investment manager or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Sub-Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Company. Each will, at all times, have regard in such event to its obligations to the Company and will endeavour to ensure that such conflicts are resolved fairly.

This risk factor should be read in conjunction with the risk factor under the heading “*Potential Conflicts of Interest*” in section 16 “*Risk Factors*” of this Prospectus

## **Risks Relating To The Shares**

### ***Risk of losses***

The price of Shares can go up as well as down and investors may not realise their initial investment.

The investments and the positions held by the Sub-Fund are subject to various market risks, credit risks and operational risks, including: (i) the level of the Reference Index failing to exhibit mean reversion; (ii) changes in the volatility of the performance of the Reference Index; (iii) reliability of counterparties; and (iv) operational efficiency in the actual implementation of the investment policy adopted by the Sub-Fund in order to realise such investments or take such positions.

At any time, the occurrence of any such risk is likely to generate a significant depreciation in the value of the Shares. Because of the risks embedded in the investment objective adopted by the Sub-Fund, the value of the Shares may decrease substantially and even fall to zero, at any time.

### ***Achievement of the Sub-Fund's Investment Objective***

No assurance can be given that the Sub-Fund will achieve its investment objective. There is no assurance that the investment strategy, as presented in this Annex under the headings "*Investment Objective*" and "*Investment Policy*", will lead to a positive performance in the value of the Shares. The Sub-Fund could suffer losses at a time when some financial markets experience appreciation in value.

### ***Counterparty Risk***

The Company on behalf of the Sub-Fund will have exposure to the risk of a default by one or more OTC Swap Counterparties (as its counterparties to one or more Swaps or other OTC Derivatives), one or more FX Counterparties (as its counterparties to one or more FX Contracts), one or more counterparties under the repurchase, reverse repurchase or securities lending transactions that the Company on behalf of the Sub-Fund may enter into for the purposes of efficient portfolio management, and/or one or more clearing brokers.

### ***Concentration of Counterparty Risk***

The counterparties under the various Contracts may be one and the same entity, which may lead to a concentration of counterparty risk. Even though all Contracts will be collateralised in accordance with the applicable laws and regulations, such concentration may nevertheless affect the Sub-Fund's risk profile.

### ***Exchange Rate Risk***

The Investment Manager will attempt to reduce or minimize the effect on the value of the Hedged Classes of Shares of fluctuations in the exchange rate between the Reference Currency and the currency of denomination of the Hedged Classes of Shares. Any profit and loss resulting from FX hedging will be allocated only to the Hedged Class of Shares to which the specific hedge relates. Due to the foregoing, each Class may differ from each other in its overall performance.

It is expected that the extent to which the currency exposures of each Hedged Class of Shares will be hedged may from time to time be less than or more than 100% of the Net Asset Value attributable to the relevant Class, whereupon the Investment Manager will keep the situation under review. Over-hedged or under-hedged positions are not the intention of the Sub-Fund, but may arise due to factors outside the control of the Sub-Fund.

There is no guarantee that any FX hedging for Hedged Classes of Shares will achieve the objective of reducing the effect of exchange rate fluctuations. Investors in Shares of a Hedged Class of Shares should be aware that the hedging strategy may substantially limit them from benefitting if the relevant Share Class Currency falls in value against the Reference Currency.

### ***Early Termination of the Sub-Fund***

The Sub-Fund may be terminated by the Directors in accordance with the terms of this Prospectus and the Articles of Incorporation in the event that *inter alia* the derivative contracts entered into in respect of the Sub-Fund are terminated early or the Investment Manager's right to use the Mean Reversion Methodology in connection with the Sub-Fund is terminated or ceases for any reason. In the event of the termination of the Sub-Fund, Shareholders may not receive the full amount they have invested, depending on the performance of the Sub-Fund as at the time of such termination; Shareholders will receive the Net Asset Value at termination of the Sub-Fund. Please refer to section 6 “*Termination of a Sub-Fund and/or Class of Shares*” of this Prospectus.

### ***Costs of Collateral***

The costs associated with counterparties providing Collateral under the Contracts will be reflected in the pricing of such Contracts and will therefore ultimately impact the Net Asset Value of the Shares.

### ***Risks Relating to the Investment Policy***

#### ***Risks associated with the Mean Reversion Trading Strategy***

The performance of the Sub-Fund is dependent on the investment gains and the investment losses resulting from the “long” and “short” positions on the Reference Index taken by the Sub-Fund in the Swaps. The Net Asset Value will decline as a result of a fall in the value of these positions.

As a result of the manner in which the Sub-Fund’s exposure to the Reference Index may be adjusted from a “long” position to a “short” position, and *vice versa*, the Sub-Fund may underperform the Reference Index over any period and an investment in the Sub-Fund may even decline in value during periods when the Reference Index rises.

The Investment Manager may in its sole discretion determine from time to time whether to use any Trading Signal. The exercise of this discretion by the Investment Manager may lead to higher or lower returns compared to those that could have been achieved if the Investment Manager would have always followed the Trading Signals.

***The Reference Index is not the only benchmark of the European equity market***

The Reference Index is not the only benchmark of the European equity market, and using other benchmarks may give different results.

***An investment in the Sub-Fund is fundamentally different in nature to an investment which is designed to track the Reference Index***

The performance of the Sub-Fund will differ from the performance of the Reference Index because of the mean reversion trading strategy pursued by the Investment Manager. An investment in the Sub-Fund is fundamentally different to an investment which provides a direct exposure to the Reference Index or is otherwise designed to track the Reference Index.

***The Reference Index may not continue to exhibit mean reversion***

The trading strategy that the Investment Manager will follow is predicated on the assumption that the level of the Reference Index will continue to exhibit a mean reversion tendency over relatively short periods. This trading strategy may not be successful if the level of the Reference Index does not continue to exhibit this tendency.

***Limitations of the Trading Signals***

The Investment Manager may use the Trading Signals generated by applying the Mean Reversion Methodology to assist it in determining the direction of the Sub-Fund's exposure to the Reference Index (i.e. whether that exposure is positive or "long", or negative or "short"), and the extent of that exposure (i.e. the extent to which that exposure is positive or "long", or negative or "short").

Although the Trading Signals are designed with the aim of identifying the direction and extent that an investment exposure to the Reference Index should have in order to realise investment gains from the mean reversion of the level of the Reference Index, the Trading Signals may not work as intended. The Trading Signals may not adequately reflect the speed of changes in the trends of the performance of the Reference Index. Trends in the performance of the Reference Index may change quickly after the Trading Signals are generated and implemented.

***Model Assumptions and Precision***

The Investment Manager may to a large extent, though not exclusively, rely on the Trading Signals generated by its application of the Mean Reversion Methodology to determine the direction and extent of the Sub-Fund's exposure to the Reference Index.

The Mean Reversion Methodology uses particular methods and parameters, which may not be as successful as other methods and parameters. These parameters include, for example, the length of the time period which is used to determine the recent average level of the Reference Index.

The Mean Reversion Methodology is sensitive to the precision of its inputs and interim calculations. Each of these is dependent in turn on the rounding conventions used in the financial markets for the primary data and the rounding conventions determined appropriate by the Investment Manager at each stage of the calculation process.

### ***Trading Costs***

The trading costs associated with entering into the Swaps and adjusting the Sub-Fund's exposure to the Reference Index will act as a drag on the performance of the Sub-Fund.

### ***Disruption Events***

The Swaps may be disrupted and may be terminated early if the Reference Index is disrupted.

**This list of additional risk factors is not intended to be exhaustive. Prospective investors should seek such advice as they consider necessary from their professional advisers, investment, legal, tax or otherwise.**

## **EURO STOXX 50® Index Disclaimer**

The EURO STOXX 50® Index (the “**STOXX Index**”) is the intellectual property (including registered trademarks) of STOXX Limited, Zurich, Switzerland (“**STOXX**”) and/or its licensors (“**Licensors**”), which is used under license. STOXX and its Licensors have no relationship with the Company, the Investment Manager, the Methodology Licensors or any other person related to the Sub-Fund, other than the licensing of the STOXX Index and the related trademarks for use in connection with the Sub-Fund.

### **STOXX and its Licensors do not:**

- Sponsor, endorse, sell or promote the Sub-Fund.
- Recommend that any person invest in the Sub-Fund or any other securities.
- Have any responsibility or liability for or make any decisions about the timing, amount or pricing of Sub-Fund.
- Have any responsibility or liability for the administration, management or marketing of the Sub-Fund.
- Consider the needs of the Sub-Fund or the Shareholders of the Sub-Fund in determining, composing or calculating the STOXX Index or have any obligation to do so.

**STOXX and its Licensors will not have any liability in connection with the Sub-Fund.** Specifically, STOXX and its Licensors do not make any warranty, express or implied and disclaim any and all warranty about:

- The results to be obtained by the Sub-Fund, the Shareholders of the Sub-Fund or any other person in connection with the use of the STOXX Index and the data included in the STOXX Index;
- The accuracy or completeness of the STOXX Index and its data;
- The merchantability and the fitness for a particular purpose or use of the STOXX Index and its data;
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Under no circumstances will STOXX or its Licensors be liable for any lost profits or indirect, punitive, special or consequential damages or losses, even if STOXX or its Licensors knows that they might occur.

## **Fees and Expenses**

### **General**

The following fees and expenses will be incurred by the Company on behalf of the Sub-Fund and will affect the Net Asset Value per Share of each Class issued in respect of the Sub-Fund. This section headed "*Fees and Expenses*" should be read in conjunction with section 21 "*Company Charges*" of this Prospectus.

### **Management Fee**

The Management Fee in respect of each Class is specified in the Share Class section of this Annex.

The Management Fee in respect of each Class will accrue on each Business Day, and will be calculated on each Business Day with reference to the Net Asset Value of such Class on the immediately preceding Business Day. The Management Fee will be deducted from the prevailing Net Asset Value of each Share of each Class, and will be paid monthly in arrears.

The Management Fee will be used to make payments to the Management Company, the Methodology Licensor (for a licence to use the Mean Reversion Methodology) and the Global Distributor.

For the avoidance of doubt, the Management Fee will not include the Subscription Commission, the Swap Cost or the Other Costs and Expenses, each as described below.

### **Swap Cost**

The Company on behalf of the Sub-Fund will pay 0.20% per annum of the notional size of each Swap to the relevant Swap Counterparty for the provision and hedging of the Swap.

For the avoidance of doubt, the Swap Cost will not be included in the Management Fee described above or the Other Costs and Expenses described below, and will be charged in addition to these. The Sub-Fund will also incur transaction costs associated with the adjustments of the Sub-Fund's exposure to the Reference Index which is achieved through each Swap.

### **Other Costs and Expenses**

The Company on behalf of the Sub-Fund will pay in respect of each Class up to 0.20% per annum of the Net Asset Value of such Class in Other Costs and Expenses.

For the avoidance of doubt, the Other Costs and Expenses will not be included in the Management Fee described above, and the Other Costs and Expenses will not include the Subscription Commission or the Swap Cost, each as described above, and will be charged in addition to these.

## **General Information Relating to the Sub-Fund**

### **Business Day**

Any day:

1. on which commercial banks are open for the full day for business and settle payments (including dealings in foreign exchange and foreign currency deposits) in Luxembourg and London;
2. which is a scheduled trading day for the Reference Index; and
3. on which the Trans-European Automated Real-time Gross Settlement Express Transfer system (TARGET 2) is open.

### **Dealing Day**

Any Business Day.

### **Valuation Day**

Any Dealing Day.

### **Valuation Time**

The Sub-Fund's positions are valued as of the close of the relevant market, at a recognised fixing time in the relevant market or as otherwise determined by the Board of Directors.

### **Sub-Fund Subscription Deadline**

### **Sub-Fund Conversion Deadline**

### **Sub-Fund Redemption Deadline**

9.30 a.m. (Luxembourg time) on the relevant Dealing Day. The Directors may elect to extend this deadline to 12.00 noon (Luxembourg time) in their sole and absolute discretion (any such extended deadline would apply to all investors).

### **Settlement Date**

In the case of subscriptions, up to two Business Days after the relevant Dealing Day, assuming the receipt prior to the Sub-Fund Subscription Deadline for such Dealing Day of the relevant signed subscription application and the availability of cleared funds, each as confirmed by the Administrator.

In the case of redemptions, up to two Business Days after the relevant Dealing Day, assuming the receipt prior to the Sub-Fund Redemption Deadline for such Dealing Day of the relevant signed redemption request, as confirmed by the Administrator.

### **Dilution Levy**

The Directors do not intend to charge a Dilution Levy.



## **Distribution Policy**

The Directors may declare dividends for certain Classes: “ID” Classes, “CD” Classes and “AD” Classes (denominated in Euros, U.S. Dollars, British Pounds, Swiss Francs and Japanese Yen) (each such Class, a “**Distribution Class of Shares**”).

The amount of any dividend paid shall be in the discretion of the Directors.

At the discretion of the Directors, it is intended that dividends will be declared on a Dealing Day early in each January, April, July and October (each such Dealing Day, a “**Dividend Declaration Day**”).

Dividends declared on a Dividend Declaration Day will be paid to Shareholders in the Distribution Classes of Shares on the register of Shareholders as at 5.00 p.m. (Luxembourg time) on such Dividend Declaration Day. Dividends declared on a Dividend Declaration Day will be paid on a Business Day as soon as practicable following such Dividend Declaration Day.

The Directors may also in their sole discretion declare and pay, from time to time, additional interim distributions.

## **Minimum Sub-Fund Size**

EUR 50,000,000 (or the equivalent in such other relevant currency) or such other amount as the Directors may determine from time to time in their sole and absolute discretion.

## **Reference Currency**

Euros (EUR).

## **Investment Manager**

Assenagon Asset Management S.A.

## **Methodology Licensor**

Citigroup Global Markets Limited.

## **Custodian and Paying Agent**

Citibank Europe plc, Luxembourg Branch

## **Swap Counterparty**

(i.e. the approved counterparty for the purposes of the Swaps)

An entity or entities (including, without limitation, Citigroup Global Markets Limited (\*) or any of its affiliates) to be selected by the Company on the advice of the Management Company in its role as Investment Manager. The Shareholders may obtain information about the selected entity or entities from the Company by contacting it at the registered office shown in section 1 “*Organization of the Company*” of this Prospectus.

**FX Counterparty**

(i.e. the approved counterparty for the purpose of the FX Contracts).

An entity or entities to be selected by the Company on the advice of the Management Company in its role as Investment Manager. The Shareholders may obtain information about the selected entity or entities from the Company by contacting it at the address shown in section 1 “*Organization of the Company*” of this Prospectus.

(\*) Citigroup Global Markets Limited is an affiliate of the Custodian, Citibank Europe plc, Luxembourg Branch.

| <b>Share Class Section</b>                  |                              |                  |                  |
|---|------------------------------|------------------|------------------|
| <b>Accumulation Classes</b>                 |                              |                  |                  |
| <b>Classes</b>                              | <b>"I"</b>                   | <b>"C"</b>       | <b>"A"</b>       |
| <b>Base Currency</b>                        | EUR                          |                  |                  |
| <b>Hedged Classes of Shares</b>             | CHF, GBP, JPY, USD           |                  |                  |
| <b>Restriction on the type of Investors</b> | Institutional Investors only | N/A              | N/A              |
| <b>Initial Offer Period</b>                 | 1 April 2014                 |                  |                  |
| <b>Initial Subscription Day</b>             | 1 April 2014                 |                  |                  |
| <b>Initial Price*</b>                       | 100                          | 100              | 100              |
| <b>Minimum Initial Investment Amount*</b>   | 20,000,000                   | 1,000,000        | 10,000           |
| <b>Minimum Additional Investment Amount</b> | N/A                          |                  |                  |
| <b>Minimum Redemption Amount</b>            | N/A                          |                  |                  |
| <b>Minimum Shareholding*</b>                | 10,000,000                   | 1,000,000        | 10,000           |
| <b>Minimum Class Size*</b>                  | 50,000,000                   | 20,000,000       | 10,000,000       |
| <b>Management Fee</b>                       | 0.25% p.a.                   | 0.50% p.a.       | 0.75% p.a.       |
| <b>Performance fee</b>                      | N/A                          |                  |                  |
| <b>Other Costs and Expenses</b>             | Up to 0.20% p.a.             | Up to 0.20% p.a. | Up to 0.20% p.a. |
| <b>Subscription Commission</b>              | Up to 5%                     | Up to 5%         | Up to 5%         |
| <b>Redemption Commission</b>                | N/A                          |                  |                  |
| <b>Distributions</b>                        | Not Applicable               | Not Applicable   | Not Applicable   |

| Share Class Section   |  |  |  |
|-----------------------|--|--|--|
| Accumulation Classes  |  |  |  |
| Classes               | "I"  | "C"  | "A"  |
| Distribution Payments | N/A  |  |  |
| Conversion Allowed    | Yes  | Yes  | Yes  |
| Conversion Commission | N/A  |  |  |
| ISIN                  | USD:<br>LU1046426240<br><br>EUR:<br>LU1046426083<br><br>GBP:<br>LU1046426166 | USD:<br>LU1046426679<br><br>EUR:<br>LU1046426323<br><br>GBP:<br>LU1046426596 | USD:<br>LU1072827857<br><br>EUR:<br>LU1072827345<br><br>GBP:<br>LU1072827691 |

\* Amounts are expressed in the currency of the relevant Share Class with the exception of Share Classes denominated in Japanese Yen where the amounts are expressed in 100 of Yens.

The Management Fee, and Other Costs and Expenses will be calculated by reference to the prevailing NAV of each Share Class on a daily basis.

| <b>Share Class Section</b>                  |                              |                  |                  |
|---|------------------------------|------------------|------------------|
| <b>Distribution Classes</b>                 |                              |                  |                  |
| <b>Classes</b>                              | <b>ID</b>                    | <b>CD</b>        | <b>AD</b>        |
| <b>Base Currency</b>                        | EUR                          |                  |                  |
| <b>Hedged Classes of Shares</b>             | CHF, GBP, JPY, USD           |                  |                  |
| <b>Restriction on the type of Investors</b> | Institutional Investors only | N/A              | N/A              |
| <b>Initial Offer Period</b>                 | 1 April 2014                 |                  |                  |
| <b>Initial Subscription Day</b>             | 1 April 2014                 |                  |                  |
| <b>Initial Price*</b>                       | 100                          | 100              | 100              |
| <b>Minimum Initial Investment Amount*</b>   | 20,000,000                   | 1,000,000        | 10,000           |
| <b>Minimum Additional Investment Amount</b> | N/A                          |                  |                  |
| <b>Minimum Redemption Amount</b>            | N/A                          |                  |                  |
| <b>Minimum Shareholding*</b>                | 10,000,000                   | 1,000,000        | 10,000           |
| <b>Minimum Class Size*</b>                  | 50,000,000                   | 20,000,000       | 10,000,000       |
| <b>Management Fee</b>                       | 0.25% p.a.                   | 0.50% p.a.       | 0.75% p.a.       |
| <b>Performance fee</b>                      | N/A                          |                  |                  |
| <b>Other Costs and Expenses</b>             | Up to 0.20% p.a.             | Up to 0.20% p.a. | Up to 0.20% p.a. |
| <b>Subscription Commission</b>              | Up to 5%                     | Up to 5%         | Up to 5%         |
| <b>Redemption Commission</b>                | N/A                          |                  |                  |
| <b>Distributions</b>                        | Applicable                   | Applicable       | Applicable       |

| <b>Share Class Section</b>   |  |  |  |
|------------------------------|--|--|--|
| <b>Distribution Classes</b>  |  |  |  |
| <b>Classes</b>               | <b>ID</b>  | <b>CD</b>  | <b>AD</b>  |
| <b>Distribution Payments</b> | Quarterly  | Quarterly  | Quarterly  |
| <b>Conversion Allowed</b>    | Yes  | Yes  | Yes  |
| <b>Conversion Commission</b> | N/A  |  |  |
| <b>ISIN</b>                  | USD:<br>LU1046426919<br><br>EUR:<br>LU1046426752<br><br>GBP:<br>LU1046426836 | USD:<br>LU1046427214<br><br>EUR:<br>LU1046427057<br><br>GBP:<br>LU1046427131 | USD:<br>LU1072828236<br><br>EUR:<br>LU1072827931<br><br>GBP:<br>LU1072828152 |

\* Amounts are expressed in the currency of the relevant Share Class with the exception of Share Classes denominated in Japanese Yen where the amounts are expressed in 100 of Yens.

The Management Fee, and Other Costs and Expenses will be calculated by reference to the prevailing NAV of each Share Class on a daily basis.

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# Red Arc Global Investments (Luxembourg) SICAV

## BOCHK RMB High Yield Bond Fund

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### Introduction

This annex (the “**Annex**”) contains information in relation to Classes of Shares issued in the BOCHK RMB High Yield Bond Fund (the “**Sub-Fund**”), which is a sub-fund of Red Arc Global Investments (Luxembourg) SICAV (the “**Company**”), an undertaking for collective investment in transferable securities (a “**UCITS**”) with multiple compartments pursuant to Part I of the Luxembourg law of 17 December 2010 on undertakings for collective investment (the “**UCI Law**”) and the Directive 2009/65/EC of the European Union Parliament and of the Council of 13 July 2009 (the “**UCITS Directive**”).

The Directors (whose names appear in the Prospectus under section 1 “*Organisation of the Company*”) accept responsibility for the information contained in this Annex.

The Directors of the Company expect that the Net Asset Value of the Sub-Fund will have a medium to high volatility, through its exposure to emerging market high yield debt.

Unless otherwise defined in this Annex, words and expressions used herein will have the same meaning as in the Prospectus.

### Profile of a Typical Investor

Subject to their personal circumstances, the Sub-Fund may be suitable for investors who seek an exposure in RMB (as defined below) to Debt Securities (as defined below) which are not investment grade.

An investment in the Sub-Fund is not a deposit in a bank or other insured depository institution. Investment in the Sub-Fund may not be appropriate for all investors. The Sub-Fund is not intended to be a complete investment programme and investors should consider their long-term investment goals and financial needs when making an investment decision about the Sub-Fund. An investment in the Sub-Fund is intended to be a long-term investment. The Sub-Fund should not be used as a trading vehicle.

### Investment Objective

The principal investment objective of the Sub-Fund is to generate long-term capital growth and income in RMB (as defined below) by investing at least 50% of its assets in debt products, deposits and other fixed-income instruments and securities (“**Debt Securities**”) that are denominated in RMB, hedged to RMB or otherwise have exposure to RMB.

The Sub-Fund may invest a substantial portion of its assets in both higher-yielding Sub-Investment Grade Debt Securities (as defined below) and non-rated Debt Securities. Although an investment in these instruments may assist the Sub-Fund to achieve a

higher level of current income and capital appreciation, such an investment will also subject the Sub-Fund to substantial credit, price volatility and liquidity risk, which may lead to loss.

In the foregoing paragraph, “**Sub-Investment Grade Debt Securities**” means Debt Securities which have a credit rating of BB+ or below from Standard & Poor’s or Moody’s, or an equivalent credit rating from an internationally-recognized rating agency. If a Debt Security is not rated by any rating agency, the Investment Manager will use its own internal assessment of the creditworthiness of the relevant issuer for the purposes of managing the assets of the Sub-Fund.

“**RMB**” means the lawful currency of the People’s Republic of China (the “**PRC**”) excluding Hong Kong, the Macau Special Administration Region of the PRC and Taiwan.

### **Investment Policy**

In order to achieve its investment objective, the Investment Manager on behalf of the Sub-Fund will invest, directly or otherwise, the net proceeds of any issue of Shares in eligible assets under the UCI Law and the UCITS Directive, in a portfolio consisting primarily of Debt Securities, in markets both in and outside the PRC. The Sub-Fund’s allocations to particular investments will depend on, amongst other factors, their relative risk and potential returns and the availability and attractiveness of, and access to, the relevant markets.

The Sub-Fund may also invest in other RMB-denominated instruments, securities and deposits issued in or outside the PRC as well as other instruments, including without limitation, Debt Securities denominated in currencies other than RMB, interest rate or currency hedging tools (in order to gain exposure to RMB) and other instruments and securities as it deems fit. The onshore and offshore Debt Securities that the Sub-Fund may invest in include, but are not limited to, bills, notes, bonds, floating rate notes, money market instruments, certificates of deposit, commercial paper, exchangeable bonds and convertible bonds issued by governments, government agencies, supranational entities, corporations, financial institutions and banks. The Sub-Fund may invest in Debt Securities which have investment-grades and non-investment grades credit ratings from accredited rating agencies, as well as non-rated Debt Securities.

### ***The Onshore Market and the Offshore Market***

RMB as a currency is traded both onshore in the PRC (the “**Onshore Market**”) and (relative to the PRC) offshore, primarily in Hong Kong (the “**Offshore Market**”). As a result of the controls on cross border transfers of RMB between Hong Kong and the PRC, the Onshore Market and the Offshore Market are, to an extent, segregated, and each such market may have different demand and supply conditions that are applicable to the RMB.

RMB that is traded within the Onshore Market (referred to by its currency code “**CNY**”) may therefore trade at a different foreign exchange rate compared to RMB which is traded within the Offshore Market (as distinguished from CNY by its currency code “**CNH**”). The Sub-Fund’s investments may be exposed to the prevailing values (and the difference in prevailing values) between the CNY and the CNH. Consequently, the Sub-Fund may be exposed to greater foreign exchange risks and/or higher costs of



investment (for example, when converting other currencies to the RMB at the rate of exchange for the CNH).

***Obtaining exposure to RMB-denominated securities***

The Sub-Fund may obtain exposure to bonds traded on both the Onshore Market and the Offshore Market in the following manner:

*Exposure to the Onshore Market:* The Sub-Fund may obtain exposure to RMB-denominated Debt Securities issued and traded within the PRC in several ways, including without limitation, the following:

- (i) By investing in collective investment scheme(s), whether managed by external asset manager(s) or by the Investment Manager, which are either (a) Qualified Foreign Institutional Investor funds (“**QFII funds**”) or (b) Renminbi Qualified Foreign Institutional Investor funds (“**RQFII funds**”), and which are permitted to invest directly in PRC domestic securities markets. The investments held through QFII funds or RQFII funds may include, but are not limited to, debt securities and other instruments permitted under applicable PRC regulations.
- (ii) By investing (making use of a QFII investment quota or an RQFII investment quota, as available) in portfolio(s) managed by external asset manager(s), each appointed by the Investment Manager as sub-investment manager(s), whether or not appointed specifically for the purposes of the Sub-Fund, and always subject to the prior approval of the CSSF. In relation to any external asset manager it appoints, the Investment Manager will (a) have the discretion to appoint and/or remove such external asset manager in the interests of the Sub-Fund, or otherwise in order to facilitate achieving the investment objective of the Sub-Fund; (b) agree separate investment guidelines and benchmarks with such external asset manager as the Investment Manager shall deem appropriate; (c) monitor the investment performance of such external asset manager; and (d) be responsible for the overall allocations between the Onshore Market and the Offshore Market.

Before the Investment Manager invests the assets of the Sub-Fund in any collective investment scheme managed by an external asset manager (as described in paragraph (i) above) or any portfolio managed by an external asset manager (as described in paragraph (ii) above), the Investment Manager will conduct due diligence on such external asset manager, collective investment scheme or portfolio (as relevant), and shall take into consideration certain key criteria which may include the external asset manager’s investment philosophy and investment strategies, and the credentials of its relevant investment and research teams, investment operations, risk management and compliance procedures. On both a periodic and ad-hoc basis, the Investment Manager will review the investment performance, strategies, risk management and compliance record of each external asset manager that it appoints on behalf of the Sub-Fund, with respect to the investments made on behalf of the Sub-Fund.

Moreover, investments in the Onshore Market, made making use of a QFII investment quota, shall be limited to 35% of the Net Asset Value of the Sub-Fund (or such other limit as may be prescribed by regulation).

- (iii) By investing directly (making use of the RQFII investment quota of the Investment Manager) in Debt Securities with onshore RMB exposure issued by a variety of public sector and private sector institutions, that are traded on a restricted basis in the PRC, whether on regulated stock exchanges in the PRC or within the PRC's China Interbank Bond Market, or otherwise on other regulated markets in the PRC. The PRC government may modify the RQFII regulations over time, and the Sub-Fund will consider investing in the RMB-denominated financial market in the PRC directly or through other means or channels when opportunities arise.
- (iv) By investing in derivative products (such as participatory notes, credit-linked notes or total return swaps) which have credit exposure to corporations or entities which issue Debt Securities (whether listed or unlisted) that are traded on a restricted basis in the PRC, whether on regulated stock exchanges in the PRC, within the PRC's China Interbank Bond Market, or on other regulated markets in the PRC.

*Exposure to the Offshore Market:* The Sub-Fund may obtain exposure to offshore RMB-denominated Debt Securities (and other Debt Securities that are hedged to the RMB) in several ways. In particular, the Investment Manager may, but is not limited to:-

- (i) directly managing a pool of offshore RMB-denominated Debt Securities (and other Debt Securities that are hedged to the RMB) issued and traded outside the PRC;
- (ii) investing in Debt Securities which have direct or indirect exposure to onshore RMB-denominated bonds; and/or
- (iii) investing in US dollar-denominated or other non-RMB-denominated Debt Securities, and dynamically hedging their market values and interest incomes to RMB with financial instruments such as non-deliverable currency forwards, non-deliverable currency swaps, deliverable currency forwards, deliverable currency swaps or other derivatives so as to indirectly gain RMB exposure for the Sub-Fund.

The Sub-Fund may at any time use any additional and/or alternative methods, channels, formats or instruments deemed appropriate by the Investment Manager to access the Onshore and Offshore Markets (directly or indirectly) so as to take advantage of any opportunities that arise and/or to comply with any changes to the applicable laws and regulations.

### **Strategies underlying the Investment Policy**

Different strategies including, but not limited to, duration strategies, yield curve strategies, credit selection strategies, sector allocation strategies and product selection strategies may be used by the Sub-Fund.

*Duration strategies:* The Sub-Fund may invest in fixed-rate bonds of short maturities or floating rate notes when interest rates and/or inflation rates tend to rise and the market has not fully priced in such rise with an aim to reinvest principal and coupon payment proceeds at higher reinvestment rates. Conversely, when interest rates and/or inflation

rates tend to fall and the market has not fully priced in such a fall, the Sub-Fund may invest in fixed-rate bonds of longer maturities so as to lock in their yields for a longer period of time.

*Yield curve strategies:* The Sub-Fund may make an overweight allocation to fixed-rate bonds of both short and long maturities and an underweight allocation to bonds of intermediate maturities if the intermediate-tenor yields tend to rise while both the yields of short and long tenors tend to fall or remain stable.

*Credit strategies:* The Sub-Fund may invest in non-government bonds if their extra yields over government bonds of similar maturities (i.e. credit spreads) are high enough to compensate the Sub-Fund for their credit risk and liquidity risk on a portfolio basis.

*Sector allocation strategies:* The Sub-Fund may make an overweight allocation to a particular sector (such as bonds issued by commercial banks) or market (such as the domestic RMB bond market) if its risk-adjusted return profile is expected to be more attractive than others.

*Product selection strategies:* The Sub-Fund may invest in debt instruments to the extent permitted by the UCI Law and the UCITS Directive to allow the Sub-Fund to gain indirectly exposure to RMB bonds traded in the China Interbank Bond Market in the PRC if their expected risk-adjusted returns are more attractive than what are available from QFIIs or offshore bond markets.

*Hedging:* The Sub-Fund may engage in hedging as part of its investment strategy and to manage currency, interest rate and credit risks. In this regard, the Investment Manager may utilize a variety of financial instruments, such as currency forwards, currency options and swaps and interest rate options and swaps (and such currency and interest rate contracts may involve both deliverable and non-deliverable currencies), bond futures and other derivatives (including credit derivatives). The Manager may also engage in short selling (including, but not limited to, shorting through the use of derivative contracts or repurchase agreements) for hedging purposes.

Subject to the UCI Law and the UCITS Directive, the Sub-Fund may at any time use any additional and/or alternative methods, channels, formats or instruments deemed appropriate by the Investment Manager to access the Onshore and Offshore markets in bonds, either directly or indirectly, so as to take advantage of any opportunities that arise and/or to comply with any changes to any applicable laws and regulations.

**The Sub-Fund may hold 100% of its assets in cash or cash equivalents should the Investment Manager deem such strategy to be prudent over any time period. The Sub-Fund may hold 100% of its assets in government bonds issued by the same issuer. Any percentage of assets in cash or cash equivalent will not obtain any investment exposure to either the Onshore Market or the Offshore Market discussed above.**

## **Investment restrictions**

The general investment restrictions set out in Appendix A under the heading D “*Investment Restrictions*” in the Prospectus apply to the Sub-Fund.

The Sub-Fund shall not invest more than 10% of its net assets in shares or units of other UCITS or other undertakings for collective investment.

### ***Borrowings and Leverage***

In accordance with the general provisions set out in Appendix A under the heading E “*Borrowing and Lending Powers*”, the Company on behalf of the Sub-Fund may borrow up to 10% of the Net Asset Value of the Sub-Fund on a temporary basis.

The Sub-Fund will not seek to assume additional economic leverage through the use of Financial Derivative Instruments. However, the Sub-Fund may enter into Financial Derivative Instruments both for hedging purposes and for investment purposes. The “sum of notionals” approach is used to calculate the economic leverage assumed by the Sub-Fund, and under this approach, this economic leverage will vary from time to time and is expected to be no greater than 300% of the Net Asset Value of the Sub-Fund. Under certain circumstances, this economic leverage can be higher.

The use of FX Forward Contracts in respect of Currency Hedged Classes may result in the economic leverage assumed in respect of the Currency Hedged Classes exceeding 100% of the Net Asset Value of the Currency Hedged Classes.

The market risk of the Sub-Fund will be measured and monitored in accordance with Luxembourg law and regulations.

### **Financial Instruments**

#### ***Total Return Swaps***

The Company on behalf of the Sub-Fund may from time to time enter into one or more total return swaps (each a “**Total Return Swap**”) in order to obtain an exposure to corporations or entities which issue Debt Securities that are traded on a restricted basis in the PRC.

A Total Return Swap will typically be entered into for a fixed period and may be renewed upon expiry of such period. During its term, the notional size of the Total Return Swap may be adjusted from time to time. A Total Return Swap may be either fully funded or partially funded, in the discretion of the Investment Manager.

Total Return Swaps will be collateralized in accordance with the requirements under the UCI Law and the UCITS directive, as supplemented by the ESMA Guidelines 2014/937.

The Company on behalf of the Sub-Fund will enter into Total Return Swaps with one or more counterparties which satisfy the CSSF's eligibility criteria as set out in the Prospectus under Appendix A “*Investment Powers and Restrictions*” (each an “**TRS Counterparty**”). The TRS Counterparties will not assume any discretion over the underlying reference assets of the Total Return Swaps.

#### ***Foreign Exchange Currency Forward Contracts***

The Company on behalf of the Sub-Fund will enter into a separate foreign exchange contract (each an “**FX Contract**”) for each Class in respect of which it has exposure to movements in currency exchange rates (each such Class, a “**Hedged Class of Shares**”).

The Management Company may delegate currency hedging to a hedging agent. The Share Class section below specifies, for each Class, whether or not currency hedging applies. The Sub-Fund may enter into different FX Contracts to seek to hedge against changes in the values of the Hedged Classes of Shares as a result of changes in currency exchange rates between the Reference Currency and the relevant Share Class Currency.

All hedging transactions will be clearly attributable to a specific Class and therefore currency exposures of different Classes shall not be combined or offset and currency exposures of assets of the Sub-Fund shall not be allocated to separate Classes. Each Hedged Class of Shares shall bear the costs for the hedging transactions attributable to such Class and the Net Asset Value of each Hedged Class of Shares will reflect the costs and gains/losses of the hedging transactions attributable to such Class.

It is expected that the extent to which such currency exposure will be hedged may from time to time be less than or more than 100% of the Net Asset Value attributable to the relevant Class, whereupon the Management Company will keep the situation under review. Over-hedged or under-hedged positions are not the intention of the Sub-Fund, but may arise due to factors outside its control.

The Company on behalf of the Sub-Fund in respect of each Hedged Class of Shares may incur transaction costs in respect of currency hedging transactions. Any costs and gains/losses of the hedging transactions will accrue solely to the relevant Class.

The Company on behalf of the Sub-Fund will enter into FX Contracts with one or more counterparties which satisfy the CSSF's eligibility criteria as set out in the Prospectus under Appendix A "*Investment Powers and Restrictions*" (each an "**FX Counterparty**").

### ***Documentation***

Any Total Return Swap and the FX Contracts (as the case may be) (the "**Contracts**") will be collateralised to comply with applicable investment restrictions.

Any Total Return Swap and the FX Contracts will comprise an ISDA Master Agreement (including the Schedule and a Credit Support Annex) and one or more confirmations, as the case may be. On or shortly prior to the first issue of Shares of any Class created in respect of the Sub-Fund in respect of which currency hedging applies, a new foreign exchange currency forward contract will be entered into by the Company on behalf of the Sub-Fund for such Class with the FX Counterparty. Separate FX Contracts will be entered into in respect of each Hedged Class of Shares.

From time to time, appropriate modifications (for example, additional confirmations) may be made in relation to redemptions and subscriptions of Shares. In addition, the Contracts will include provisions relating to their termination (including early termination).

### ***Collateral***

Each of the parties to a Contract may be required under the terms of such Contract to provide collateral (the "**Collateral**") to the other party so that its risk exposure to such counterparty is in compliance with the CSSF's UCITS requirements. The Company on behalf of the Sub-Fund will only accept Collateral that is compliant with the eligibility

and diversification rules imposed on UCITS under the UCI Law and the UCITS Directive, the ESMA Guidelines 2014/937 and all applicable CSSF Circulars.

The Sub-Fund's exposure to a counterparty resulting from efficient portfolio management techniques and/or OTC Derivatives shall be collateralized so as to ensure that its counterparty exposure complies with the UCITS requirements as detailed in Appendix A "*Investment Powers and Restrictions*" and Appendix B "*Special Techniques and Instruments*" of this Prospectus.

The costs associated with providing such Collateral will be reflected in the pricing of the relevant Contracts and will therefore ultimately impact the Net Asset Value of the Shares.

### ***Risk Management***

The Management Company has filed with the CSSF a risk management policy statement setting out how it intends to measure, monitor and manage the various risks associated with the Contracts it intends to enter into with one or more counterparties.

### ***Measurement of the Risk Exposure***

The global exposure of the Sub-Fund will be measured and monitored in accordance with the absolute Value at Risk approach.

VaR analysis is based on a statistical analysis of movements in the relevant market over a specified historical observation period of one year, in order to identify the potential losses which may occur during a specified "holding period".

The absolute VaR of the Sub-Fund so determined shall not exceed 20% of its Net Asset Value and is not expected to exceed 17.5% of its Net Asset Value, where such absolute VaR is determined daily on the basis of a 99% confidence interval and a holding period of 1 month.

### ***Listing***

Application may be made to the Luxembourg Stock Exchange for the listing of Shares on the official list of the main market of the Luxembourg Stock Exchange.

## **Risk Factors**

In addition to the risk factors set out in the Prospectus under section 16 “*Risk Factors*” in the Prospectus, the following risk factors must be considered.

**Investment carries a high degree of risk. The Sub-Fund’s investments will be subject to certain special risks as well as normal investment risks. There can be no assurance that the investments of the Sub-Fund will be successful or that its objectives will be attained. Accordingly, investment in the Sub-Fund should be considered to be speculative in nature and only suitable for sophisticated investors who are aware of the risks involved in investment in the Sub-Fund.**

### **General Risk Factors**

Investors should satisfy themselves that the Sub-Fund is suitable for them in terms of their own circumstances and financial position before making any decision to invest in the Sub-Fund. In addition, investors should avoid excessive investment in any single type of investment (in terms of its proportion in the overall investment portfolio), including any proposed investment in the Sub-Fund, so as to avoid the investment portfolio being over-exposed to any particular investment risk.

### **Principal Risks**

#### ***Risk of Losses***

The price of Shares can go up as well as down and investors may not realise their initial investment.

Investors should be aware that the value of securities and instruments in which the Sub-Fund invests and the return derived from them can fluctuate. The Sub-Fund invests in and actively trades securities and instruments utilising strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the income derived from the relevant securities and instruments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as actions by various government agencies and domestic or international economic and political developments, may cause sharp market fluctuations, which could significantly and adversely affect the value of the Sub-Fund’s investments.

The investments and the positions held by the Sub-Fund are subject to principally to interest rate risk, credit risk and downgrade risk.

#### ***Interest Rate Risk***

There is a general inverse relationship between interest rates and the prices of debt instruments. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt instruments. A common way to measure interest rate risk is with reference to a debt instrument's duration — in essence, the number of years required to recover the true cost of a debt instrument, considering the present value of all coupon and principal payments received in the future. The duration of a debt instrument is generally expressed as a number of years from its purchase date. Other things being equal, debt instruments with longer maturities are generally more sensitive to interest rate changes than those with shorter maturities. Changes in interest rates may

extend or shorten the duration of certain types of instruments, thereby affecting their value and the return on an investment in the Sub-Fund.

Changes in market interest rates do not affect the rate payable on an existing fixed rate debt instrument which can increase its exposure to interest rate risk. This is because rising interest rates will make the fixed debt instrument less valuable because of the inverse relationship mentioned. An instrument which has adjustable or variable rate features will in contrast be comparatively less sensitive to interest rate risk. Fluctuations in interest rates of the currency(ies) in which the Shares are denominated and/or fluctuations in interest rates of the currency(ies) in which the Sub-Fund's investments are denominated may also affect the value of the Shares.

### ***Credit Risk***

Credit risk (including issuer default risk) is the possibility that an issuer of an instrument will be unable or unwilling to make interest payments or repay principal when due, or to otherwise honour its obligations. An issuer suffering an adverse change in its financial condition or future prospects could lower the credit quality of a security thereby increasing its credit risk, leading to greater price volatility of the security. This may have adverse effects on the value of the Sub-Fund's investments. If the Sub-Fund invests in lower quality debt instruments, in particular securities which are rated lower than investment grade, it is more susceptible to credit risk and the value of its investments may be more volatile.

### ***Downgrade Risk***

Downgrade risk is the risk that the credit rating of an issuer or a debt instrument may subsequently be downgraded or even fall below investment grade due to changes in the financial strength of the issuer or changes in the credit rating of a debt instrument. Downgraded securities, and securities issued by issuers whose ratings have been downgraded, may be subject to higher risks, as they could be subject to higher volatility, liquidity and credit risk. In the event of downgrading, the Sub-Fund's investment value in such security may be adversely affected. The Sub-Fund may continue to hold such investment, and higher risks may result. Investors may suffer substantial loss of their investments in the Sub-Fund.

### ***Exchange Rate Risk***

The Management Company will attempt to reduce or minimize the effect of fluctuations in the exchange rate between the Reference Currency and the currency of denomination of the Hedged Class of Shares on the value of the Hedged Class of Shares. Any profit and loss resulting from FX hedging will be allocated only to the Hedged Class of Shares to which the specific hedge relates. Due to the foregoing, each Class of Shares may differ from each other in their overall performance.

It is expected that the extent to which the currency exposures of each Hedged Class of Shares will be hedged may from time to time be less than or more than 100% of the Net Asset Value attributable to the relevant Class, whereupon the Investment Manager will keep the situation under review. Over-hedged or under-hedged positions are not the intention of the Sub-Fund, but may arise due to factors outside the control of the Sub-Fund.



There is no guarantee that any FX hedging for Hedged Class of Shares will achieve the objective of reducing the effect of exchange rate fluctuations. Investors in Shares of a Hedged Class of Shares should be aware that the hedging strategy may substantially limit them from benefitting if the currency of such Hedged Class of Shares falls in value against the Reference Currency.

#### ***Risks associated with the RMB***

The Reference Currency of the Sub-Fund is the RMB. From 2005, the exchange rate of the RMB ceased to be pegged to the US dollar. The RMB has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the RMB against other major currencies in the inter-bank foreign exchange market is allowed to float within a narrow band around the central parity published by the People's Bank of China. As the exchange rates are based primarily on market forces, the exchange rates for RMB against other currencies are susceptible to movements based on external factors. **It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of the PRC government.** The PRC government's imposition of restrictions on the repatriation of RMB out of the PRC may limit the depth of the Offshore Market and reduce the liquidity of the Sub-Fund.

The possibility that the appreciation of RMB will be accelerated cannot be excluded. On the other hand, there can be no assurance that the RMB will not be subject to devaluation, which could adversely affect the value of investors' investments in the Sub-Fund. Investors whose base currency is not the RMB may be adversely affected by changes in the exchange rates of the RMB.

The PRC government's policies on exchange control and repatriation restrictions are subject to change, and the Sub-Fund's or the investors' position may be adversely affected.

#### ***Risks associated with the Offshore Market***

RMB which is traded within the Onshore Market (i.e. the CNY) may trade at a different rate compared to RMB which is traded within the Offshore Market (i.e. the CNH). The Sub-Fund's investments may be exposed to both the CNY and the CNH, and the Sub-Fund may consequently be exposed to greater exchange risks and/or higher costs of investment (for example, when converting other currencies to the RMB at the rate of exchange prevailing in relation to the CNH).

#### ***Risks Relating to the Investment Policy***

##### ***Risks associated with non-investment grade debt instruments***

To the extent the Sub-Fund invests in Sub-Investment Grade Debt Securities or non-rated Debt Securities, the Sub-Fund may realise a higher current yield than the yield offered by higher-rated securities, but such investments are also associated with greater risks because of generally reduced credit worthiness and liquidity, greater price volatility, greater risk of loss of income and principal including the chance of default by or bankruptcy of the issuers of such securities.

### ***Risks associated with convertible bonds***

The Sub-Fund's investments in Debt Instruments may from time to time include convertible bonds. Convertible bonds combine the opportunities and risks of equities and fixed-income securities. Accordingly, potential investors are referred in particular to the notes on Interest Rate Fluctuations and Investment in Equity Securities set out in Section 16.5 "*Risks relating to a Sub-Fund's Assets*".

Since prices of convertible bonds depend in part on those of the underlying shares, the price risk is generally higher than that of bonds without conversion options. Furthermore, prices of convertible bonds are also influenced by the general interest rate environment. If a convertible bond is issued in a currency other than that of the underlying share, the corresponding exchange rate risk must also be taken into account. Upon conversion of a convertible bond, the Sub-Fund may from time to time have a direct exposure to the underlying equity instrument.

### ***Risks associated with the achievement of Investment Objective***

No assurance can be given that the Sub-Fund will achieve its Investment Objective. There is no assurance that the investment strategy, as presented in the "*Investment Objective*" and the "*Investment Policy*" sections in this Annex will lead to a positive performance in the value of the Shares. The Sub-Fund could suffer losses at a time when some financial markets experience appreciation in value.

### ***Limited Pool of Investments***

The Sub-Fund's investment strategy includes investing in RMB fixed income instruments issued in the Offshore Market. However, the quantity of RMB fixed income instruments issued or distributed outside the PRC that may be available to the Sub-Fund is currently limited, and the remaining duration of such instruments may be short. In the absence of available RMB fixed income instruments, or when such instruments held are at maturity, the Sub-Fund may have to allocate a significant portion of its portfolio to other investments. This may adversely affect the Sub-Fund's return and performance.

## **Liquidity Risks**

### ***Liquidity Risk***

The instruments in which the Sub-Fund may invest may not be currently listed on a stock exchange or traded on an over-the-counter market where trading is conducted on a regular basis. There is also no guarantee that market making arrangements will be in place to make a market and quote a price for all the instruments in which the Sub-Fund may invest. In the absence of an active secondary market, the Sub-Fund may need to hold instruments until their maturity date. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and, in consequence, the Sub-Fund may suffer losses in trading such instruments. Even if a secondary market is developed, the price at which the instruments are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates.

Further, the bid and offer spread of the price of the instruments in which the Sub-Fund may invest may be high, and the Sub-Fund may therefore incur significant trading costs

and may even suffer losses when selling such investments. The Manager seeks to control the liquidity risk of the investment portfolio by a series of internal management measures in order to meet Shareholders' redemption requests.

### ***Liquidity Risk – Emerging Markets***

It may be considerably more difficult for the Sub-Fund to invest in or dispose of its investments than it would be for investors in more developed markets. Limited liquidity may affect the Net Asset Value of the Sub-Fund and the price of the Shares. Due to the potential limited liquidity in emerging markets, it may be necessary to acquire or dispose of investments at a time that is not optimal and/or at unfavourable prices.

### ***Risks relating to RQFII funds***

The Sub-Fund may invest in the PRC domestic securities market through RQFII funds, which may be subject to the following risks.

### ***Risks relating to RMB-denominated securities***

RQFII funds primarily invest in PRC securities that are denominated in RMB. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the PRC government. Please refer to the relevant risk factors “*Risks associated with the RMB*” and “*Risks associated with the Offshore Market*”.

### ***Risks relating to the Renminbi Qualified Foreign Institutional Investor (RQFII) regime***

Investment through the RQFII regime is subject to the availability of RQFII quota. There is no assurance that sufficient quota will be available for investment by a RQFII fund. Therefore the Sub-Fund's ability to obtain exposure to the PRC domestic securities market may be limited by the availability of RQFII quota.

Repatriations of capital out of the PRC by RQFII funds that are open-ended funds are currently not subject to repatriation restrictions or prior approval, but there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital out of the PRC may impact on a RQFII fund's ability to meet redemption requests from the Sub-Fund. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of the Investment Manager (or the manager of an RQFII fund). Therefore, the Sub-Fund may be subject to liquidity risk insofar as it invests in RQFII funds.

The rules relevant to RQFII have only been recently announced. They are novel in nature and their application may depend on the interpretation given by the relevant PRC regulatory authorities. Any changes to the relevant rules may have an adverse impact on investments made by the RQFII funds and hence the Sub-Fund's performance. The current RQFII rules and regulations are subject to change, which may take retrospective effect. In the worst case, the relevant RQFII fund may be terminated if it is not legal or viable to operate because of changes to the application of the relevant rules. The Sub-Fund's holdings in the relevant the RQFII fund will be realised in case of such termination, and the Sub-Fund may suffer losses in its initial investment in such fund.

### ***Investment in China A-Share market via RQFII funds***

The Sub-Fund may have exposure to the China A-Share market through investment in RQFII funds. The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which securities may be purchased or sold by the relevant RQFII funds may be adversely affected if trading markets for China A-Shares are limited or absent, and the Sub-Fund may in turn be adversely affected. Further, the Shanghai Stock Exchange and the Shenzhen Stock Exchange on which China A-Shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those stock exchanges are lower than those in more developed markets. The China A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention) than those in more developed markets. Market volatility and settlement difficulties in the China A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the value of the RQFII fund(s) and thus the Sub-Fund.

Securities exchanges in the PRC typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges on China A-Shares, where trading for a security may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the RQFII funds to liquidate positions and can thereby expose the RQFII funds to losses. Further, when the suspension is subsequently lifted, it may not be possible for the RQFII funds to liquidate positions at a favourable price. The Sub-Fund may therefore suffer a loss in its investment in such RQFII funds.

### ***Risks relating to RQFII funds that are exchange traded funds (RQFII ETFs)***

Investment in RQFII ETFs is subject to RMB currency risk and risks associated with the RQFII regime set out above. In addition:

- (i) RQFII ETFs typically seek to track a particular China A-Share market index by directly investing in the China A-Shares constituting such market index using RQFII quota. As with other exchange traded funds, RQFII ETFs are subject to tracking error risks (i.e. the returns of a RQFII ETF may deviate from the performance of the index it is designed to track) due to a number of factors.

The Sub-Fund will trade units in RQFII ETFs on the Stock Exchange of Hong Kong (where trading prices are affected by market factors such as demand and supply). The trading days or hours of the PRC and Hong Kong stock markets are not exactly the same and this may affect the RQFII ETFs' ability to track the market index. Further, any suspension due to a trading band limit in the PRC stock markets may render it impossible for the RQFII ETFs to acquire certain index security, increasing the tracking error. These factors may result in the RQFII ETFs' units being traded at a substantial premium or discount to their net asset value.

- (ii) RQFII ETFs are novel in nature and involve cross-border transfer of funds. They may be riskier than traditional exchange traded funds investing directly in markets other than the PRC. The operation of RQFII ETFs depends heavily on the expertise and infrastructure of the RQFII ETF's manager (or its mainland

parent company). There is no assurance that the RQFII ETFs will be operated as envisaged and the Sub-Fund may sustain a loss in its investment.

### ***Investment in PRC bond markets via RQFII funds***

The Sub-Fund may have exposure to the PRC bond markets through investment in RQFII funds. The PRC bond markets (including the exchange and interbank bond markets) are in an early stage of development and the volume of trading may be lower than more developed markets. Liquidity of the bonds will be lower in the absence of an active secondary market. RQFII funds investing in such market are therefore subject to liquidity risks and may suffer losses in trading PRC bonds. The bid and offer spreads of the prices of PRC bonds may be large, so significant trading and realisation costs may be incurred.

The PRC bond markets are also subject to regulatory risks. Due to irregularities in the interbank bond market trading activities, the China Government Securities Depository Trust & Clearing Co. (the central clearing entity) suspended new account opening on the interbank bond market for specific types of products. Although RQFII funds that are mutual funds offered to the public were not affected, there is no assurance that future regulatory actions will not affect such funds. If accounts are suspended, or cannot be opened, the RQFII funds' ability to invest in the interbank bond market will be limited and they may suffer substantial losses as a result.

### ***PRC taxation on RQFII funds***

RQFII funds' investment in the PRC market is subject to PRC tax liabilities. PRC tax laws contain uncertainties, and changes in such laws may have retrospective effect. It is common practice for RQFII funds to make provisions for potential tax liabilities in the PRC. Such provisions may be excessive or inadequate to meet the actual tax liabilities. Even if tax provisions are made, any shortfall between the provisions and actual tax liabilities will be debited from the RQFII funds' assets and the RQFII funds' value may be adversely affected.

### ***Risks of investing in other funds***

Investment in any RQFII fund may involve another layer of fees charged by such RQFII fund. This is because, in addition to the expenses and charges payable by the Sub-Fund as disclosed herein, the Sub-Fund will bear indirectly the fees charged by the managers and other service providers of the RQFII funds, or will incur charges in subscribing for or redeeming units in the RQFII funds. The Investment Manager will consider various factors in selecting the RQFII funds, for example, the investment objective and strategy, level of fees and charges, the redemption frequency and liquidity of such funds. However, there is no assurance that the investment objective or strategy of a RQFII fund will be successfully achieved.

If the Sub-Fund invests in a RQFII fund managed by the Investment Manager or a connected person of the Investment Manager, all initial charges on such RQFII fund will be waived. The Investment Manager may not obtain a rebate on any fees or charges levied by such RQFII fund or its manager. Where potential conflicts of interest arise, the Investment Manager will endeavour to ensure that such conflicts are resolved fairly.

### ***Emerging Markets Risk***

Investors should note that investing in emerging markets such as the PRC carries a greater degree of risk and the attention of investors is drawn to the specific risk factors set out below.

- (i) The value of the Sub-Fund's assets invested in emerging markets such as the PRC may be affected by uncertainties such as political developments, changes in government policies, taxation, currency repatriation restrictions and restrictions on foreign investment.
- (ii) It may not be possible for the Sub-Fund to repatriate capital, dividends, interest and income from emerging markets such as the PRC, or it may require government consents to do so. The Sub-Fund could be adversely affected by the introduction of, or delays in, or refusal to grant any such consent for the repatriation of funds or by any official intervention affecting the process of settlement of transactions.

### ***Economic, Political and Other Risks in the PRC***

The overall economic conditions in the PRC may have a significant impact on the Sub-Fund's financial performance. Economic developments in the PRC follow patterns different from those in Hong Kong and other developed countries as a result of differences in various economic aspects including economic structure, living standards, growth rate, level of government intervention in the economy, allocation of resources and the rate of inflation. Further, the interpretation or application of current laws or regulations in the PRC may have adverse effects on the Sub-Fund's investments. The level of liquidity in the RMB-denominated financial market in the PRC is low. This may lead to severe price volatility.

Investing in the PRC market is also subject to the risks of investing in emerging markets generally and the risks specific to the PRC market.

Since 1978, the PRC government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of the PRC economy, moving from the previous planned economy system. However, many of the economic measures are experimental or unprecedented and may be subject to adjustment and modification. Any significant change in PRC's political, social or economic policies may have a negative impact on investments in the PRC market.

The regulatory and legal framework for capital markets and joint stock companies in the PRC may not be as well developed as those of developed countries. PRC accounting standards and practices may deviate significantly from international accounting standards. The settlement and clearing systems of the PRC securities markets may not be well tested and may be subject to increased risks of error or inefficiency.

Investment in RMB-denominated bonds may be made in or outside the PRC. As the number of these securities and their combined total market value are relatively small compared to more developed markets, investments in these securities may be subject to increased price volatility and lower liquidity.

The PRC government's control of currency conversion and movements in the RMB exchange rates may adversely affect the operations and financial results of companies in the PRC. Insofar as the Sub-Fund's assets are invested in the PRC, it will be subject to the risk of the PRC government's imposition of restrictions on the repatriation of funds or other assets out of the country, limiting the ability of the Sub-Fund to satisfy payments to investors.

## **Tax Considerations**

### ***PRC Tax Considerations***

In the event that the Sub-Fund invests in RMB-denominated corporate and government bonds issued by tax residents in the PRC, the Sub-Fund may be subject to withholding and other taxes imposed in the PRC.

Investors should be aware that changes in the PRC taxation legislation could affect the amount of income which may be derived, and the amount of capital returned, from the investments of the Sub-Fund. Laws governing taxation will also continue to change and may contain conflicts and ambiguities.

### ***Corporate Income Tax***

Interest derived from government bonds is exempt from PRC income tax under the Corporate Income Tax ("CIT") Law, effective on 1 January 2008.

Under the CIT Law of the PRC, unless there is an applicable exemption, a foreign vehicle without a permanent establishment in the PRC or a foreign vehicle with an establishment or place in the PRC but whose income is not effectively connected with such establishment or place in the PRC, will generally be subject to a withholding income tax at the rate of currently 10% on the gross amount of its PRC sourced passive income, including interest income received on debt instruments (e.g. bonds issued by enterprises established within the PRC) and other income (primarily referring to capital gains derived from the disposal of PRC bonds).

### ***Business Tax***

Interest and capital gains on RMB-denominated corporate and non-government bonds issued by PRC companies may be subject to business tax at a rate of currently 5% in the PRC, unless there is an applicable exemption.

In addition to business tax, interest and capital gains on RMB-denominated corporate and non-government bonds are also subject to urban maintenance and construction tax (currently ranging from 1% to 7%), education surcharge of 3% (current) and local education surcharge of 2% (current), calculated based on the business tax liabilities, with effect from 1 December 2010.

The Company on behalf of the Sub-Fund may, in its discretion from time to time, establish a reserve for potential tax liabilities if in their opinion, such a reserve is warranted. Any such reserve would have the effect of reducing the Net Asset Value per Share by the pro rata amount of estimated tax liability. In the event that the Sub-Fund is required to make payment reflecting tax liabilities for which no reserves have been made, the Net Asset Value per Share may decrease substantially, without notice, by the pro rata amount of the unreserved tax exposure. There is no guarantee that the amount

reserved will be enough to cover any such tax liabilities. In that event, the Sub-Fund may have to liquidate a portion of its portfolio to pay taxes, and the Sub-Fund's returns would therefore be lower than anticipated.

## **Counterparty Risks**

### ***Counterparty Risk***

The Company on behalf of the Sub-Fund will have exposure to the risk of a default by one or more FX Counterparties (as its counterparties to one or more FX Contracts), counterparties to other Financial Derivative Instruments, and/or one or more counterparties under the repurchase, reverse repurchase or securities lending transactions the Company on behalf of the Sub-Fund may enter into for efficient portfolio management purposes. The Sub-Fund may also seek exposure to certain investments offered on the Onshore Market and consequently will have exposure to the risk of default by certain qualifying foreign institutions (known as "QFIIs") that are approved to directly invest in such instruments.

### ***Exposure to QFIIs***

Under the prevailing rules and regulations in the PRC, only certain qualifying foreign institutions that have been approved as QFIIs may invest directly in China A shares, government bonds, listed corporate and convertible bonds, securities, investment funds, listed warrants and other permitted financial instruments (collectively referred to in this sub-section as "**Chinese Securities**" or "**onshore instruments**") through quotas which have been granted by the relevant Chinese authorities. However, under the prevailing rules and regulations, stringent qualification requirements have been set and only large scale international financial institutions may qualify to become QFIIs. QFIIs must have substantial paid-up capital and/or substantial assets under their management.

The Sub-Fund will not satisfy the criteria to qualify as a QFII itself and therefore it may invest indirectly in Chinese Securities via access-products such as credit-linked notes, participating certificates, participatory notes, swaps and other similar instruments, issued by the QFIIs. The Sub-Fund's counterparty risk will be with the different third parties which have already obtained QFII quotas.

The Sub-Fund's ability to invest and the exposure of the Sub-Fund to onshore instruments via access-products may be adversely affected by restrictions to which the QFII is subject. A QFII's conduct of trading activities is from time to time subject to risk of suspension by the relevant PRC authorities. QFIIs are subject to investments limits and restrictions, and the breach of certain limits will result in a QFII being required to sell down its holding to meet the relevant limits which may in turn affect the investments of the Sub-Fund.

QFII regulations on investments apply to each quota granted to a QFII as a whole and not simply to the portion relating to the investments made by the Sub-Fund. Thus, investors should be aware that violations of the QFII regulations on investments arising out of activities relating to portions of the QFII's quota other than those which are utilised for the investment made by the Sub-Fund could result in the revocation of or other regulatory action in respect of the QFII's quota as a whole, including any portion utilised for investment by the Sub-Fund.



### ***Concentration of Counterparty Risk***

The counterparties under the various Contracts may be one and the same entity, which may lead to a concentration of counterparty risk. Even though all Contracts will be collateralised in accordance with the applicable laws and regulations, such concentration may nevertheless affect the Sub-Fund's risk profile.

### ***Costs of Collateral***

The costs associated with counterparties providing Collateral under the Contracts will be charged to the Sub-Fund and will therefore ultimately impact the Net Asset Value of the Shares.

### ***Risk of alternative methods of Investment***

Subject to the UCI Law and the UCITs Directive, the Sub-Fund may at any time use any additional and/or alternative methods, channels, formats or instruments deemed appropriate by the Investment Manager to access the Onshore and Offshore Markets in bonds, either directly or indirectly, so as to take advantage of any opportunities that arise and/or to comply with any changes to any applicable laws and regulations. The use of such methods, channels, formats or instruments may result in the investments of the Sub-Fund being exposed to additional or new risks that are not currently envisaged nor set out herein. In particular, but without limitation to the foregoing, investors should note that there may be risks associated with the interpretation of and/or compliance with new laws and regulations.

### ***Early Termination of the Sub-Fund***

The Sub-Fund may be terminated by the Directors in accordance with the terms of this Prospectus and the Articles of Incorporation. In the event of the termination of the Sub-Fund, Shareholders may not receive the full amount they have invested, depending on the performance of the Sub-Fund as at the time of such termination; Shareholders will receive the Net Asset Value at termination of the Sub-Fund. Please refer to Section 6 “*Termination of a Sub-Fund and/or Class of Shares*” of this Prospectus.

**This list of additional risk factors is not intended to be exhaustive. Prospective investors should seek such advice as they consider necessary from their professional advisors, investment, legal, tax or otherwise.**

## **Fees and Expenses**

### **General**

The following fees and expenses will be incurred by the Company on behalf of the Sub-Fund and will affect the Net Asset Value per Share of each Class issued in respect of the Sub-Fund. This section headed “*Fees and Expenses*” should be read in conjunction with section 21 “*Company Charges*” of this Prospectus.

### **Fees**

The Management Fee in respect of each Class is made up of (i) fees which will be used to cover the fees and distribution costs of the Investment Manager (the “**Investment Management Fee**”), as specified in the “*Share Class Section*” of this Annex; and (ii) fees which will be used to cover the fees of the Management Company and the Distributor (the “**General Management Fee**”), as specified in the “*Share Class Section*” of this Annex.

The Management Fee in respect of each Class will accrue on each Business Day, and will be calculated on each Business Day with reference to the Net Asset Value of such Class on the immediately preceding Business Day. The Management Fee will be deducted from the prevailing Net Asset Value of each Share of each Class, and will be paid monthly in arrears.

The Management Fee will not include the Other Costs and Expenses described below under “*Other Costs and Expenses*”.

### **Subscription Commission**

The Subscription Commission in respect of each Class is specified in the Share Class section of this Annex. The Subscription Commission is an amount payable by each Investor upon each subscription of Shares but no separate amount is payable by the investor upon each subscription. Instead, each such Subscription Commission will be paid by each investor through the reduction in the number of Shares allocated to that investor. The subscribing investor will therefore get fewer Shares at the prevailing Net Asset Value than would otherwise be the case if no Subscription Commission was payable.

### **Other Costs and Expenses**

The Company on behalf of the Sub-Fund will pay in respect of each Class such Other Costs and Expenses as described in section 21 “*Company Charges*” of this Prospectus and as specified in the “*Share Class Section*” of this Annex.

## **The Investment Manager**

### **Appointment of the Investment Manager**

The Investment Manager in respect of the Sub-Fund is BOCHK Asset Management Limited, 32/F, Bank of China Tower, 1 Garden Road, Hong Kong. The Investment Manager was incorporated in Hong Kong on 28 October 2010. It is licensed to conduct Types 1, 4, and 9 regulated activities as defined in Schedule 5 of the SFO. Such regulated activities include dealing in securities, advising on securities and asset management. The Investment Manager is a wholly-owned subsidiary of BOCHK Asset Management (Cayman) Limited which, in turn, is a wholly owned subsidiary of BOC Hong Kong (Holdings) Limited, which is listed on the Stock Exchange of Hong Kong.

### **Terms of Appointment**

The Management Company and the Company on behalf of the Sub-Fund have appointed the Investment Manager in respect of the Sub-Fund pursuant to an investment management agreement (the “**Investment Management Agreement**”) between the Management Company, the Company and the Investment Manager.

### **Appointment and Termination**

The Investment Management Agreement provides that the appointment of the Investment Manager will continue unless and until terminated by either the Management Company (with the prior approval of the Company) or the Investment Manager giving to the other parties not less than 3 months written notice, although in certain circumstances the Investment Management Agreement may be terminated with immediate effect by either the Management Company or the Investment Manager giving notice in writing to the other parties.

### **Role of the Investment Manager**

Pursuant to the Investment Management Agreement, the Management Company has appointed the Investment Manager in respect of the Sub-Fund to provide the investment management services to the Sub-Fund which are necessary or desirable to implement the Sub-Fund’s Investment Policy for the purpose of pursuing the Investment Objective of the Sub-Fund in respect of each Class in compliance with applicable laws and regulations and the Company’s Articles. The Investment Manager will also act as a Distributor.

## **General Information Relating to the Sub-Fund**

### **Business Day**

Any day:

- (i) on which commercial banks are open for the full day for business and settle payments (including dealings in foreign exchange and foreign currency deposits) in Luxembourg, London, Hong Kong and the PRC;
- (ii) (excluding Saturday and Sunday) on which banks and stock exchanges are open for normal business in Hong Kong and the PRC **provided that** where (as a result of a number 8 or higher typhoon signal, black rainstorm warning or other similar event) the period during which banks in Hong Kong and the PRC are open on any day is reduced, such day shall not be a Business Day unless the Directors determine otherwise; and
- (iii) on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) system 2 (TARGET 2) is open.

### **Dealing Day**

Any Business Day.

### **Valuation Day**

Any Dealing Day.

### **Valuation Time**

The close of business in the last relevant market to close on a Dealing Day.

### **Sub-Fund Subscription Deadline**

5.00 p.m. (Hong Kong time) (which is 10.00 a.m. (Luxembourg time)/11 a.m. (Luxembourg summer time)) on the Business Day immediately preceding the relevant Dealing Day.

### **Sub-Fund Conversion Deadline**

5.00 p.m. (Hong Kong time) (which is 10.00 a.m. (Luxembourg time)/11 a.m. (Luxembourg summer time)) on the Business Day immediately preceding the relevant Dealing Day.

### **Sub-Fund Redemption Deadline**

5.00 p.m. (Hong Kong time) (which is 10.00 a.m. (Luxembourg time)/11 a.m. (Luxembourg summer time)) on the Business Day immediately preceding the relevant Dealing Day.

## **Settlement Date**

In the case of subscriptions, up to three Business Days after the relevant Dealing Day assuming the receipt prior to the Sub-Fund Subscription Deadline for such Dealing Day of the relevant signed subscription application and the availability of cleared funds, each as confirmed by the Administrator.

In the case of redemptions, up to five Business Days after the relevant Dealing Day, assuming receipt of the relevant signed redemption request prior to the Sub-Fund Redemption Deadline for such Dealing Day, as confirmed by the Administrator.

## **Dilution Levy**

As described in this Prospectus under section 26 “*Dilution Levy*”, the Directors may adjust, in the case of large net subscriptions, the Net Asset Value per Share by adding or, in the case of large net redemptions, the Redemption Price by deducting, a Dilution Levy of up to 2% of the Net Asset Value.

## **Distribution Policy**

The Directors may declare dividends for certain Classes as specified in the Share Class Section (each such Class, a “**Distribution Class of Shares**”).

The amount of any dividend paid shall be in the discretion of the Directors.

At the discretion of the Directors, it is intended that dividends will be declared on or about the penultimate Dealing Day of each March, June, September and December (each such Dealing Day, a “**Dividend Declaration Day**”).

Dividends declared on a Dividend Declaration Day will be paid to Shareholders in the Distribution Classes of Shares who are registered on the register of Shareholders on such Dividend Declaration Day. Dividends declared on a Dividend Declaration Day will be paid up to 6 Business Days following such Dividend Declaration Day.

The Directors may also in their sole discretion declare and pay, from time to time, additional interim distributions.

## **Reinvestment of dividends**

Any Shareholder in a Distribution Class of Shares may elect to reinvest dividends in respect of such Class in additional Shares of such Class. A Shareholder in a Distribution Class of Shares should make such election in writing at the time when he subscribes for Shares of the relevant Class, and such election will remain effective until it is withdrawn, as below.

The number of additional Shares received by a relevant Shareholder upon the reinvestment of the dividends declared on a Dividend Declaration Day will be the amount of the cash dividends that he would otherwise have received divided by the Net Asset Value per Share on such Dividend Declaration Day, rounded down to three decimal places. Such additional Shares will be issued up to 5 Business Days following such Dividend Declaration Day. Any remaining cash amount of such dividends not so reinvested will be paid up to 5 Business Days following such Dividend Declaration Day.

Any Shareholder wishing to withdraw such election should give written notification of such withdrawal to the Administrator no later than 10 Business Days before the first Dividend Declaration Day from which such withdrawal is to be effective, and all dividends declared from (and including) such Dividend Declaration Day will not be so reinvested in additional Shares.

**Minimum Sub-Fund Size**

RMB 750 million (or the equivalent in such other relevant currency) or such other amount as the Directors may determine from time to time in their sole and absolute discretion.

**Reference Currency**

RMB.

**Management Company**

Assenagon Asset Management S.A.

**Investment Manager**

BOCHK Asset Management Limited.

**Custodian and Paying Agent**

Citibank Europe plc, Luxembourg Branch

**TRS Counterparty**

(i.e. the approved counterparties for the purposes of a Total Return Swap)

An entity or entities (including, without limitation, Citigroup Global Markets Limited (\*) or any of its affiliates) to be selected by the Company on the advice of the Management Company or the Investment Manager.

The Shareholders may obtain information about the selected entity or entities from the Company by contacting it at the registered office shown in the Prospectus under the heading “*Organization of the Company*”.

**FX Counterparty**

(i.e. the approved counterparties for the purpose of the FX Contracts)

An entity or entities to be selected by the Company on the advice of the Management Company or the Investment Manager.

The Shareholders may obtain information about the selected entity or entities from the Company by contacting it at the address shown in the Prospectus under the heading “*Organization of the Company*”.

(\*) Citigroup Global Markets Limited is an affiliate of the Custodian, Citibank Europe plc, Luxembourg Branch.

| Share Class Section                   |  |                    |                    |               |               |               |
|---------------------------------------|--|--------------------|--------------------|---------------|---------------|---------------|
| Accumulation Classes                  | "Z"  | "X"                | "T"                | "C"           | "D"           | "A"           |
| Distribution Classes                  | "ZD"   | "XD"               | "TD"               | "CD"          | "DD"          | "AD"          |
| Base Currency:                        | RMB  |                    |                    |               |               |               |
| Denomination:                         | AUD, CHF, EUR, GBP, HKD, JPY, RMB, USD   |                    |                    |               |               |               |
| Currency Hedged Classes:              | All Share Classes except those denominated in RMB<br>(All Share Classes will also be available unhedged) |                    |                    |               |               |               |
| Restriction on the type of Investors: | Institutional only   | Institutional only | Institutional only | N/a           | N/a           | N/a           |
| Initial Subscription Day:             | 15 September 2014  |                    |                    |               |               |               |
| Initial Price:                        |  |                    |                    |               |               |               |
| AUD, CHF, EUR, GBP, USD               | 100  | 100                | 100                | (1)           | 100           | 100           |
| JPY                                   | 10,000   | 10,000             | 10,000             | (1)           | 10,000        | 10,000        |
| HKD, RMB                              | 600  | 600                | 600                | (1)           | 600           | 600           |
| Minimum Initial Investment Amount:    |  |                    |                    |               |               |               |
| AUD, CHF, EUR, GBP, USD               | 50,000,000   | 25,000,000         | 1,000,000          | 120,000       | 1,000         | 1,000         |
| JPY                                   | 5,000,000,000  | 2,500,000,000      | 100,000,000        | 12,000,000    | 100,000       | 100,000       |
| HKD, RMB                              | 300,000,000  | 150,000,000        | 6,000,000          | 800,000       | 6,000         | 6,000         |
| Minimum Additional Investment Amount: |  |                    |                    |               |               |               |
| AUD, CHF, EUR, GBP, USD               | N/A  |                    |                    |               |               |               |
| JPY                                   | N/A  |                    |                    |               |               |               |
| HKD, RMB                              | N/A  |                    |                    |               |               |               |
| Minimum Redemption Amount:            |  |                    |                    |               |               |               |
| AUD, CHF, EUR, GBP, USD               | N/A  |                    |                    |               |               |               |
| JPY                                   | N/A  |                    |                    |               |               |               |
| HKD, RMB                              | N/A  |                    |                    |               |               |               |
| Minimum Shareholding:                 |  |                    |                    |               |               |               |
| AUD, CHF, EUR, GBP, USD               | 50,000,000   | 25,000,000         | 1,000,000          | 60,000        | 1,000         | 1,000         |
| JPY                                   | 5,000,000,000  | 2,500,000,000      | 100,000,000        | 6,000,000     | 100,000       | 100,000       |
| HKD, RMB                              | 300,000,000  | 150,000,000        | 6,000,000          | 400,000       | 6,000         | 6,000         |
| Minimum Class Size:                   |  |                    |                    |               |               |               |
| AUD, CHF, EUR, GBP, USD               | 50,000,000   | 50,000,000         | 10,000,000         | 10,000,000    | 10,000,000    | 10,000,000    |
| JPY                                   | 5,000,000,000  | 5,000,000,000      | 1,000,000,000      | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 |
| HKD, RMB                              | 300,000,000  | 300,000,000        | 60,000,000         | 60,000,000    | 60,000,000    | 60,000,000    |
| Investment Management Fee:            | 0.00%  | 0.40%              | 0.70%              | 1.00%         | 0.80%         | 1.25%         |
| General Management Fee:               | 0.15%  |                    |                    |               |               |               |
| Other Costs and Expenses:             | 0.25%  |                    |                    |               |               |               |
| Performance Fee:                      | N/A  |                    |                    |               |               |               |
| Subscription Commission:              | 0%   | 0%                 | 0%                 | Up to 5.25%   | Up to 5.25%   | Up to 5.25%   |
| Redemption Commission                 | N/A  |                    |                    |               |               |               |
| Dilution Levy:                        | Up to 2%   |                    |                    |               |               |               |
| Conversion allowed:                   | Yes  |                    |                    |               |               |               |
| Conversion Commission:                | Up to 5.25%  |                    |                    |               |               |               |

(1) The Initial Price of the Class C Shares will be determined by the Board of Directors at the launch date of this Share Class.

The Investment Management Fee in respect of any Share Class may be increased up to a maximum of 2.50% with 30 days' notice to investors.

All Fees and Other Costs and Expenses as described in the section entitled “*Fees and Expenses*” above will be calculated by reference to the prevailing NAV of each Share Class on a daily basis.



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## Red Arc Global Investments (Luxembourg) SICAV

### Absolute Return Dynamic Protection Fund

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#### Introduction

This annex (the “**Annex**”) contains information in relation to Classes of Shares issued in the Absolute Return Dynamic Protection Fund (the “**Sub-Fund**”), which is a sub-fund of Red Arc Global Investments (Luxembourg) SICAV (the “**Company**”), an undertaking for collective investment in transferable securities (a “**UCITS**”) with multiple compartments pursuant to Part I of the Luxembourg law of 17 December 2010 on undertakings for collective investment (the “**UCI Law**”) and Directive 2009/65/EC of the European Union Parliament and of the Council of 13 July 2009 (the “**UCITS Directive**”).

The Directors (whose names appear in section 1 “*Organization of the Company*” of this Prospectus) accept responsibility for the information contained in this Annex.

The Directors of the Company expect that the Net Asset Value of the Sub-Fund will have low to medium volatility.

Unless otherwise defined in this Annex, words and expressions used herein will have the same meaning as in the rest of this Prospectus.

#### Profile of a Typical Investor

Subject to their personal circumstances, the Sub-Fund may be suitable for investors who seek potential for capital growth from a global, multi-asset investment, with a degree of capital protection provided through a dynamic portfolio allocation strategy with volatility control.

An investment in the Sub-Fund is not a deposit in a bank or other insured depositary institution. Investment in the Sub-Fund may not be appropriate for all investors. The Sub-Fund is not intended to be a complete investment programme and investors should consider their long-term investment goals and financial needs when making an investment decision about the Sub-Fund. An investment in the Sub-Fund is intended to be a long-term investment. The Sub-Fund should not be used as a trading vehicle.

#### Dedicated Sub-Fund

The Sub-Fund is exclusively reserved for investment by ARK Syndicate Management Limited or any of its affiliates (each, a “**Dedicated Investor**”), it being understood that Shares may at any time be transferred by a Dedicated Investor to Citigroup Global Markets Limited.

## Investment Objective and Policy

The investment objective of the Sub-Fund is to achieve capital growth and absolute returns, regardless of market conditions, over a medium- to long-term period through an exposure to a portfolio of global, balanced and diversified multi-asset investments (the “**Active Portfolio**”) selected by the Management Company (Assenagon Asset Management S.A), together with volatility control and partial capital protection, achieved through Financial Derivative Instruments (each a “**Swap**”).

The Active Portfolio will predominantly contain both traditional UCITS and alternative UCITS (together, the “**Target Funds**”), diversified broadly between asset classes, investment strategies and investment styles. The Active Portfolio will provide a broadly balanced exposure to a variety of asset classes (including, without limitation, bonds, commodities, equities and real estate). Traditional UCITS provide participation in a variety of asset classes such as bonds and equities across a variety of geographical regions and durations, and alternative UCITS provide exposure to a variety of investment styles (including, without limitation, long or short, global macro, event driven and arbitrage styles) across a variety of geographical regions and markets. The Management Company may also include derivative instruments in the Active Portfolio to acquire exposures which are equivalent to those provided by the Target Funds or to hedge market risks.

The Sub-Fund will aim to control volatility and, as specified in the Share Class section of this Annex, to provide partial capital protection of an amount (the “**Protected Amount**”) through making an allocation between the Active Portfolio and an exposure to cash-like returns (the “**Reserve Portfolio**”) in accordance with a set of systematic rules (the “**Dynamic Allocation Rules**”), whilst maximizing the allocation to the Active Portfolio. The Dynamic Allocation Rules are explained in more detail below. The Protected Amount is 85% of the highest historical Net Asset Value, observed on each of the most recent four quarter ends.

There can be no assurance that the Sub-Fund’s investment objective will be achieved.

In order to implement its investment objective, the Sub-Fund will use Swaps to achieve an exposure to the Active Portfolio and the Reserve Portfolio (together, the “**Reference Portfolio**”), from time to time in combination with efficient portfolio management transactions. A detailed description of the Swaps and the efficient portfolio management transactions is set out below.

### *The Dynamic Allocation Rules*

The objective of the Dynamic Allocation Rules is to preserve an amount equal to the Protected Amount and to control the volatility of the Sub-Fund. The Dynamic Allocation Rules are a set of systematic rules that will be used to periodically rebalance the relative proportions of the exposure each class of shares (each a “**Class**”) has to the Active Portfolio and the Reserve Portfolio.

The principle underlying the Dynamic Allocation Rules is that the periodic rebalancing of the exposure each Class has to the Active Portfolio and the Reserve Portfolio reacts to changes in the value of the Active Portfolio. When the Active Portfolio increases in value, each Class’s exposure to the Active Portfolio will tend to increase and its exposure to the Reserve Portfolio will tend to decrease. Conversely, when the Active

Portfolio decreases in value, each Class's exposure to the Active Portfolio will tend to decrease and its exposure to the Reserve Portfolio will tend to increase. A Class's exposure to the Active Portfolio may also be increased, to a maximum exposure of 170% of its Net Asset Value, or decreased with the aim of targeting an annualized volatility of 5% of its Net Asset Value. To achieve this, the Sub-Fund may employ some leverage by increasing its exposure through the relevant Swap used to implement the Investment Policy.

The Dynamic Allocation Rules will also provide for notional currency hedging of any constituents of the Active Portfolio denominated in a currency other than that of the relevant Share Class.

## **Financial Derivative Instruments and Efficient Portfolio Management Transactions**

### ***Swaps***

Where relevant, the Sub-Fund will enter into one or more Swaps with one or more counterparties which satisfy the CSSF's eligibility criteria as set out in Appendix A "*Investment Powers and Restrictions*" of this Prospectus (each a "**Swap Counterparty**"). The Swap Counterparties are selected by the Company on the advice of the Management Company from time to time.

The extent to which a Swap creates an exposure to the Reference Portfolio can be referred to as the "notional size" of the Swap. A Swap may be either fully funded or unfunded.

- a) Under a fully-funded Swap, the Sub-Fund makes an upfront payment equal to the notional size of the Swap. At the end of the term of the Swap, the Sub-Fund receives a payment from the relevant Swap Counterparty, the amount of which is determined with reference to the performance of the Reference Portfolio. Taking into account the payment made by the Sub-Fund when it entered into the Swap, the Sub-Fund either realizes a net gain if the performance of the Reference Portfolio has been positive, or realizes a net loss if the performance of the Reference Portfolio has been negative.
- b) Under an unfunded Swap, the Sub-Fund does not make an upfront payment. The Sub-Fund either receives a payment from the relevant Swap Counterparty if the performance of the Reference Portfolio has been positive, or makes a payment to the relevant Swap Counterparty if the performance of the Reference Portfolio has been negative. In exchange for receiving exposure to the Reference Portfolio, the Sub-Fund makes periodic payments to the relevant Swap Counterparty based on a cash-like return, and it uses the amounts that it receives under efficient portfolio management transactions (which are described in more detail below) to make these periodic payments.

In addition, under any Swap, the Sub-Fund will receive from the relevant Swap Counterparty a payment to make up any shortfall where the Dynamic Allocation Rules have not provided the full Protected Amount.

Where relevant, the Swap Counterparty will receive premiums ("**Protection Premiums**") which will be agreed from time to time, for the provision of payments

providing the Protected Amount and will also pay to the Sub-Fund monthly amounts equal to the relevant proportion, corresponding with such Swap, of the monthly fees and expenses, other than any Subscription Commission, described in the section “Fees and Expenses”.

Further details relating to the Swaps are set out under the heading “*Documentation*” below.

### ***Swap Counterparties***

The Swap Counterparties will be selected by the Management Company from time to time and initially will be Citigroup Global Markets Limited or one of its affiliates.

### ***Efficient Portfolio Management***

The Sub-Fund may also make use of the Special Techniques and Instruments set out in Appendix B “*Special Techniques and Instruments*” for the purposes of efficient portfolio management. Each efficient portfolio management transaction is entered into with a counterparty (an “**Efficient Portfolio Management Counterparty**”).

Where the Sub-Fund uses an efficient portfolio management transaction, it will either:

- a) make direct investments in eligible assets (predominantly bonds, equities and units in collective investment schemes) whose performance will be swapped under such transaction for a cash-like return, or
- b) use one or more reverse repurchase transactions generating a cash-like return.

The cash-like returns received under efficient portfolio management transactions will be used to make the periodic payments under the unfunded Swaps (if any).

### ***Collateral***

Where applicable, the parties to the Swaps and the efficient portfolio management transactions (if any) (i.e. the Sub-Fund on the one hand and the Swap Counterparties or the Efficient Portfolio Management Counterparties, respectively, on the other hand) may be required, under the terms of the relevant agreements, to provide Collateral, as further described below under the headings “*Swap Counterparties*” and “*Collateral*”. Where the Sub-Fund is required to post Collateral, the costs associated with providing such Collateral will be reflected in the pricing of the relevant Contracts and will therefore ultimately impact the Net Asset Value of the Shares.

### **Factors affecting the value of Shares in the Sub-Fund**

The value of the Shares in the Sub-Fund will rise or fall depending on the performance of the Active Portfolio that is selected by the Management Company and the operation of the Dynamic Allocation Rules.

The value of the Reference Portfolio will be reduced by amounts, which will accrue on a daily basis, equal to the fees and expenses described in the section “Fees and Expenses”, other than any Subscription Commission and by the amount of any Protection Premiums (as defined below).

Should a Class's exposure to the Reference Portfolio be greater than 100% of the Net Asset Value of that Class then the value of the Reference Portfolio will also be reduced by the costs of providing such increased exposure, such costs to be agreed with the relevant Swap Counterparty from time to time.

### **Investment restrictions**

The general investment restrictions set out under heading D "*Investment Restrictions*" in Appendix A "*Investment Powers and Restrictions*" of this Prospectus apply to the Sub-Fund. By derogation to Section (1)(a) thereof, the Sub-Fund may invest more than 10% of its total net assets in the Target Funds.

The Sub-Fund shall not make use of the provisions laid down in Section 27, "*POOLING AND CO-MANAGEMENT*".

### ***Borrowings and leverage***

In accordance with the general provisions set out under heading E "*Borrowing and Lending Powers*" in Appendix A "*Investment Powers and Restrictions*", the Sub-Fund may borrow up to 10% of the Net Asset Value of the Sub-Fund on a temporary basis.

The Sub-Fund may incur additional leverage through the use of Financial Derivative Instruments. The amount of leverage used by the Sub-Fund will vary from time to time, according to the economic terms of the Swaps. Leverage is calculated by reference to the sum of the notional amounts of the Financial Derivative Instruments entered into by the Sub-Fund, and is expected to be no greater than 250% of the Net Asset Value of the Sub-Fund, although the leverage incurred by the Sub-Fund could exceed this percentage under special circumstances. The market risk and leverage of the Sub-Fund will be measured and monitored in accordance with Luxembourg laws and regulations.

### ***Documentation***

The Swaps (if any) and the efficient portfolio management transactions (if any) (each, a "**Contract**") will be collateralized to comply with applicable investment restrictions.

Each Swap will comprise an ISDA Master Agreement (including the Schedule and Credit Support Annex) and a confirmation.

Each efficient portfolio management transaction which is a reverse repurchase transaction will comprise a market-standard contract.

From time to time, appropriate modifications (for example, additional confirmations) may be made in relation to redemptions and subscriptions of Shares. In addition, the Contracts will include provisions relating to their termination (including early termination).

### ***Collateral***

Each of the parties to a Contract may be required under the terms of such Contract to provide collateral (the "**Collateral**") to the other party so that its risk exposure to such counterparty is in compliance with the CSSF's UCITS requirements. In accordance with its collateral policy set out under Appendix B, the Sub-Fund will only accept Collateral that is compliant with the eligibility and diversification rules imposed on UCITS under

the UCI Law and the UCITS Directive, the ESMA Guidelines 2014/937 and all applicable CSSF Circulars.

The Sub-Fund's exposure to a counterparty resulting from efficient portfolio management techniques and/or OTC Derivatives shall be collateralized so as to ensure that its counterparty exposure complies with the UCITS requirements as detailed in Appendix A "*Investment Powers and Restrictions*" and Appendix B "*Special Techniques and Instruments*" of this Prospectus.

The costs associated with providing such Collateral will be reflected in the pricing of the relevant Contracts and will therefore ultimately impact the Net Asset Value of the Shares.

### **Risk Management**

The Management Company has filed with the CSSF a risk management policy statement setting out how it intends to measure, monitor and manage the various risks associated with the Contracts it intends to enter into with one or more counterparties.

#### ***Measurement of the Risk Exposure***

The global exposure of the Sub-Fund will be measured and monitored in accordance with the absolute Value at Risk ("**VaR**") approach. VaR analysis is based on a statistical analysis of movements in the relevant market over an historical observation period of one year in order to identify the potential losses which may occur during a specified "holding period".

The absolute VaR of the Sub-Fund determined in this way shall not exceed 20% of its Net Asset Value, and is not expected to exceed 12.5% of its Net Asset Value where such absolute VaR is determined daily on the basis of a 99% confidence interval and a holding period of one month.

### **Listing**

Application may be made to the Luxembourg Stock Exchange for the listing of Shares on the official list of, and trading on the main market of, the Luxembourg Stock Exchange.

## **Risk Factors**

In addition to the risk factors set out in section 16 “*Risk Factors*” of this Prospectus, the following risk factors must be considered.

### **General Risk Factors**

#### ***Potential Conflicts of Interest***

Citigroup Global Markets Limited and its affiliates (together, “**Citi**”) have various roles that may give rise to potential conflicts of interest in relation to the Shares. In addition to its roles as Global Distributor, Citi may act as a Swap Counterparty and/or a counterparty under various efficient portfolio management transactions (if any).

Citi entities will only owe the duties and responsibilities expressly agreed to by them in their relevant capacities and will not be deemed to owe other duties or responsibilities or be deemed to owe a standard of care or fiduciary duty other than as expressly provided in respect of each capacity in which they act. In particular, Citi entities owe no duties or responsibilities in relation to the Sub-Fund other than as set out in this Prospectus, including this Annex.

Citi is not acting as Management Company or investment adviser and is not responsible for managing the Sub-Fund or the assets of the Sub-Fund. Consequently, it accepts no fiduciary obligations whatsoever in this respect to any Shareholders or any other party. Citi has no liability for the management of the Sub-Fund or its assets, and makes no statements or representation (including any advice as to investment, tax, legal or accounting matters) in connection with the Sub-Fund. Citi has no responsibility for the content of this Prospectus or any offering material in respect of the Sub-Fund. Citigroup Global Markets Limited has used reasonable commercial efforts in developing the Dynamic Allocation Rules, but is not responsible for the completeness, adequacy, suitability, accuracy and/or utility of the Dynamic Allocation Rules.

Citi and/or the Management Company may, for their own account (including for the purpose of hedging their obligations under the relevant Financial Derivative Instruments) or on behalf of their customers, trade in the Active Portfolio and the Reserve Portfolio. These activities may result in conflicts of interest for Citi entities or the Management Company and may, directly or indirectly, affect the value (either positively or negatively) of the Active Portfolio and the Reserve Portfolio, and in turn the Net Asset Value of the Shares of the relevant Class(es).

Citi and/or the Management Company may also from time to time act as trustee, administrator, registrar, manager, custodian, Management Company or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Sub-Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Company. Each will, at all times, have regard in such event to its obligations to the Company and will endeavor to ensure that such conflicts are resolved fairly.

This risk factor should be read in conjunction with the risk factor under the heading “*Potential Conflicts of Interest*” in section 16 “*Risk Factors*” of this Prospectus.

## **Risks relating to the Shares**

### ***Risk of losses***

The price of Shares can go up as well as down and investors may not realise their initial investment.

The investments and the positions held by the Sub-Fund are subject to various market risks, credit risks and operational risks, including: (i) the results of the Dynamic Allocation Rules; (ii) reliability of counterparties; and (iii) operational efficiency in the actual implementation of the investment policy adopted by the Sub-Fund in order to realize such investments or take such positions.

At any time, the occurrence of any such risk is likely to generate a significant depreciation in the value of the Shares. Because of the risks embedded in the investment objective adopted by the Sub-Fund, and because of the manner in which the Protected Amount is determined from time to time, the value of the Shares may decrease substantially and even fall to zero.

### ***Achievement of the Sub-Fund's Investment Objective***

No assurance can be given that the Sub-Fund will achieve its investment objective. There is no assurance that the investment strategy, as presented in this Annex under the headings "Investment Objective" and "Investment Policy", will lead to a positive performance in the value of the Shares. The Sub-Fund could suffer losses at a time when some financial markets experience appreciation in value.

### ***Counterparty Risk***

The Sub-Fund will have exposure to the risk of a default by one or more Swap Counterparties (as its counterparties to one or more Swaps), and/or one or more counterparties (the Efficient Portfolio Management Counterparties) under the repurchase, reverse repurchase or securities lending transactions that the Sub-Fund may enter into for the purposes of efficient portfolio management.

### ***Concentration of Counterparty Risk***

The counterparties under the various Contracts may be one and the same entity, which may lead to a concentration of counterparty risk. Even though all Contracts will be collateralised in accordance with the applicable laws and regulations, such concentration may nevertheless affect the Sub-Fund's risk profile.

### ***Exchange rate risk***

With respect to each Class, the Dynamic Allocation Rules will also provide for notional currency hedging of any constituents of the Active Portfolio denominated in a currency other than that of the Class to attempt to reduce or minimize the effect on the value of the Class of fluctuations in the exchange rate between the currency of the Class and the currency of denomination of any constituents of the Active Portfolio. Any profit and loss resulting from currency hedging will be reflected in the Net Asset Value of only the relevant Class to which the specific hedge relates. Due to the foregoing, each Class may differ from each other in its overall performance.



There is no guarantee that any currency hedging will achieve the objective of reducing the effect of exchange rate fluctuations. Investors should be aware that the currency hedging strategy in respect of each Class may limit them from benefitting if the currency of the Class falls in value against the currency of denomination of any constituent of the Active Portfolio.

### ***Early Termination of the Sub-Fund***

The Sub-Fund may be terminated by the Directors in accordance with the terms of this Prospectus and the Articles of Incorporation in the event that *inter alia* the derivative contracts entered into in respect of the Sub-Fund are terminated early. In the event of the termination of the Sub-Fund, Shareholders may not receive the full amount they have invested, depending on the performance of the Sub-Fund as at the time of such termination; Shareholders will receive the Net Asset Value at termination of the Sub-Fund. Please refer to section 6 “*Termination of a Sub-Fund and/or Class of Shares*” of this Prospectus

### ***Costs of Collateral***

The costs associated with counterparties providing Collateral under the Contracts will be reflected in the pricing of such Contracts and will therefore ultimately impact the Net Asset Value of the Shares.

### ***Risks Relating to the Investment Policy***

#### ***Risks associated with the Active Portfolio***

The Active Portfolio will predominantly contain Target Funds. The performance of the Active Portfolio may be adversely affected by similar costs being incurred both at the level of the Sub-Fund itself and at the level of the Target Funds. The Sub-Fund will generally take synthetic exposure to the constituents of the Active Portfolio through the Swaps, rather than making direct investments. Nonetheless, the return on the Swaps may be affected by costs and charges that are reflected in the net asset value of the Target Funds, such as management fees or operational costs and expenses.

The performance of the Active Portfolio may moreover be affected by currency fluctuations, currency exchange restrictions, tax regulations such as withholding taxes or capital gains taxes, and any other economic or political factors affecting the Target Funds and the countries and markets in which the Target Funds are invested.

Overall, there can be no assurance that the selection of the Active Portfolio will be successful.

#### ***Regulatory Restrictions on the Swap Counterparty***

A Swap Counterparty may be constrained or restricted, as a matter of law or regulation, as to the financial instruments to which it can provide an exposure. Such restrictions may preclude the Management Company from implementing certain investment selections in the Active Portfolio.

### ***Liquidity Risk***

When making direct investments, the Sub-Fund may, from time to time, experience fluctuations in market liquidity. In the absence of an active or sufficiently deep market, the Sub-Fund may be unable to make investments or divestments under normal market conditions. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and, in consequence, may suffer losses in trading such instruments. Even if a secondary market is developed, the price at which the instruments are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates.

Further, the bid and offer spread of the price of the instruments in which the Sub-Fund may invest may be high, and the Sub-Fund may therefore incur significant trading costs and may even suffer losses when selling such investments. The Management Company seeks to control the liquidity risk of the investment portfolio by a series of internal management measures in order to meet Shareholders' redemption requests.

### ***Risks associated with the Dynamic Allocation Rules***

Depending on the operation of the Dynamic Allocation Rules and the performance and volatility of the Active Portfolio, the Sub-Fund may have a low exposure to the Active Portfolio, and the potential for capital appreciation will therefore be low.

The Dynamic Allocation Rules are dependent on the evolution of the performance and volatility of the Active Portfolio and the Reserve Portfolio. The path dependency of the Dynamic Allocation Rules may result in the Sub-Fund acquiring exposures to the Active Portfolio (whether directly or notionally) at a relatively high price, or divesting itself of exposures to Active Portfolio (whether directly or notionally) at a relatively low price. This may adversely affect the performance of the Sub-Fund.

### ***Notional (synthetic) exposures***

The Sub-Fund may not necessarily invest directly in either the Active Portfolio or the Reserve Portfolio, and instead may gain exposure to the Reference Portfolio through one or more Swaps.

### ***Risks associated with leverage***

Leverage (which is discussed above under the heading "Borrowings and Leverage") will increase the potential for gain but will also increase the risk of loss.

### ***Disruption Events***

A transaction in any Contract that the Sub-Fund may enter into, including any Swap, any foreign exchange transaction and any efficient portfolio management transaction, may be subject to disruption and may be terminated early if a market disruption event occurs or if the relevant counterparty defaults.

**This list of additional risk factors is not intended to be exhaustive. Prospective investors should seek such advice as they consider necessary from their professional advisers, investment, legal, tax or otherwise.**

## **Fees and Expenses**

### **General**

The following fees and expenses will be incurred by the Sub-Fund and will affect the Net Asset Value per Share of each Class issued in respect of the Sub-Fund. This section headed “*Fees and Expenses*” should be read in conjunction with section 21 “*Company Charges*” of this Prospectus.

### **Management and Administration Fee**

The Management and Administration Fee in respect of each Class is specified in the Share Class Section of this Annex.

The Management and Administration Fee in respect of each Class will accrue be calculated on each Business Day with reference to the Net Asset Value of such Class on the immediately preceding Business Day. The Management and Administration Fee will be used to cover the fees and expenses described in section 21 “*Company Charges*” of this Prospectus (i.e. the Management Fee and Other Costs and Expenses).

For the avoidance of doubt, the Management and Administration Fee will not include the Subscription Commission described below.

### **Management Fees at the level of the Target Funds**

In addition to the Management and Administration Fee charged at the level of the Sub-Fund itself (which is discussed above), the Target Funds themselves may also be subject to management fees.

In accordance with the disclosure requirements contained in the UCI Law, it is noted that the maximum level of management fees (excluding performance fees, if any) charged at the level of the Sub-Fund and at the level of the Target Funds shall not exceed 4%. For the avoidance of doubt, such level of management fees includes the Management and Administration Fee charged at the level of the Sub-Fund, which is specified for each Share Class in the Share Class Section. The remaining fees are charged at the level of the Target Funds, and these are generally expected to be lower than 3%.

### **Subscription Commission**

The Subscription Commission in respect of each Class is specified in the Share Class section of this Annex.

The Subscription Commission will be added to the amount payable on a subscription for Shares of the relevant Class and will not affect the Net Asset Value of such Class.

Where levied, the Subscription Commission will be used to pay the Global Distributor or other Distributors that may be appointed.

For the avoidance of doubt, the Subscription Commission will not be included in the Management and Administration Fee described above, and will be charged in addition to this.

## **General Information Relating to the Sub-Fund**

### **Business Day**

Any day:

- (1) on which commercial banks are open for the full day for business and settle payments (including dealings in foreign exchange and foreign currency deposits) in Luxembourg and London; and
- (2) on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) system 2 (TARGET 2) is open; and
- (3) which is a Reference Portfolio Business Day.

Whereby “**Reference Portfolio Business Day**” shall mean each day which is a business day for each constituent of the Reference Portfolio, having regard to the dealing schedule of that constituent.

### **Dealing Day**

Any Business Day.

### **Valuation Day**

Any Dealing Day.

### **Sub-Fund Subscription Deadline**

### **Sub-Fund Conversion Deadline**

### **Sub-Fund Redemption Deadline**

9.30 a.m. (Luxembourg time) on the Business Day immediately preceding the relevant Dealing Day. The Directors may elect to extend this deadline to 12.00 noon (Luxembourg time) in their sole and absolute discretion (any such extended deadline would apply to all investors).

### **Significant Redemptions**

The Sub-Fund shall not make use of the provisions laid down in Section 25.2, “*Redemption Applications Representing (in aggregate) Ten (10) per Cent or More of NAV*”, allowing the Company to scale down applications for redemption representing ten (10) per cent or more of the net assets of the Sub-Fund and to scale down and spread such redemptions over several Dealing Days, unless the Directors reasonably consider it to be in the best interests of the investors (including, without limitation, where any of the Sub-Fund’s assets are subject to temporary restrictions on liquidity).

### **Settlement Date**

In the case of subscriptions, up to two Business Days after the relevant Dealing Day, assuming the receipt prior to the Sub-Fund Subscription Deadline for such Dealing Day of the relevant signed subscription application and the availability of cleared funds, each as confirmed by the Administrator.

In the case of redemptions, up to five Business Days after the relevant Dealing Day, assuming the receipt prior to the Sub-Fund Redemption Deadline for such Dealing Day of the relevant signed redemption request, as confirmed by the Administrator.

### **Dilution Levy**

As described in this Prospectus under section 25 “Dilution Levy”, the Directors may adjust the Net Asset Value per Share (1) in the case of large net subscriptions, by adding a Dilution Levy of up to 2% of the Net Asset Value, and (2) in the case of large net redemptions, by deducting a Dilution Levy of up to 2% of the Net Asset Value.

### **Dividend Policy**

The board of Directors may declare dividends for certain Classes as specified in the Share Class section (and each such Class shall be a distribution Class). The declaration and payment of dividends shall be in accordance with the dividend policy of the Company set out in section 27 “*Dividend Policy*” of this Prospectus.

Re-investment of dividends will apply.

### **Minimum Sub-Fund Size**

USD 100 million (or the equivalent in such other relevant currency) or such other amount as the Directors may determine from time to time in their sole and absolute discretion.

### **Reference Currency**

U.S. Dollars.

### **Swap Counterparty**

### **Efficient Portfolio Management Counterparty**

### **FX Counterparty**

An entity or entities (including, without limitation, Citigroup Global Markets Limited (\*) or any of its affiliates) to be selected by the Company on the advice of the Management Company in its role as Management Company. The Shareholders may obtain information about the selected entity or entities from the Company by contacting it at the registered office shown in section 1 “*Organization of the Company*” of this Prospectus.

(\*) Citigroup Global Markets Limited is an affiliate of the Custodian, Citibank Europe plc, Luxembourg Branch.

| <b>Share Class Section</b>                   |   |
|--|---|
| <b>Share Class</b>                           | Class A   |
| <b>Currency</b>                              | U.S. Dollars  |
| <b>Restriction on the type of Investors:</b> | Institutional Only  |
| <b>Initial Issue Price</b>                   | USD 100 per Share   |
| <b>Initial Issue Date</b>                    | 24 February 2015  |
| <b>Subscription Commission</b>               | Up to 5 per cent.   |
| <b>Repurchase Charge</b>                     | Not applicable  |
| <b>Minimum Initial Investment Amount</b>     | USD 1,000,000   |
| <b>Minimum Additional Investment Amount</b>  | USD 100,000   |
| <b>Minimum Repurchase Amount</b>             | USD 100,000   |
| <b>Minimum Shareholding</b>                  | USD 100,000   |
| <b>Minimum Share Class Size</b>              | USD 50,000,000 or such other amount as the Directors may determine from time to time at their absolute discretion |
| <b>Management and Administration Fee</b>     | 0.90%   |
| <b>ISIN Code</b>                             | LU1179889701  |

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## Red Arc Global Investments (Luxembourg) SICAV

### Equity Absolute Return Opportunities Fund

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#### Introduction

This annex (the “**Annex**”) contains information in relation to Classes of Shares issued in the Equity Absolute Return Opportunities Fund (the “**Sub-Fund**”), which is a sub-fund of Red Arc Global Investments (Luxembourg) SICAV (the “**Company**”), an undertaking for collective investment in transferable securities (a “**UCITS**”) with multiple compartments pursuant to Part I of the Luxembourg law of 17 December 2010 on undertakings for collective investment (the “**UCI Law**”) and Directive 2009/65/EC of the European Union Parliament and of the Council of 13 July 2009 (the “**UCITS Directive**”).

The Directors (whose names appear in section 1 “*Organization of the Company*” of this Prospectus) accept responsibility for the information contained in this Annex.

The Directors of the Company expect that the Net Asset Value of the Sub-Fund will have a low to medium volatility, through investment in Financial Derivative Instruments.

Unless otherwise defined in this Annex, words and expressions used herein will have the same meaning as in the rest of this Prospectus.

#### Profile of a Typical Investor

Subject to their personal circumstances, the Sub-Fund may be suitable for investors who seek exposure to a strategy which aims to benefit from the return that can be earned by isolating and gaining exposure to certain risks in the equity market (such a return is referred to as a “**risk premium**”), whilst limiting the effect of the direction in which the equity market as a whole moves, with a degree of volatility control.

An investment in the Sub-Fund is not a deposit in a bank or other insured depositary institution. Investment in the Sub-Fund may not be appropriate for all investors. The Sub-Fund is not intended to be a complete investment programme and investors should consider their long-term investment goals and financial needs when making an investment decision about the Sub-Fund. An investment in the Sub-Fund is intended to be a long-term investment. The Sub-Fund should not be used as a trading vehicle.

#### Investment Objective

The investment objective of the Sub-Fund is to achieve a positive return and capital growth through taking an exposure to the Citi Multi Risk Premia Equity Excess Return EUR Index (the “**Index**”). The Index provides a combined exposure to three investment styles, each of which aims to benefit from a particular risk premium. The Index is explained in more detail below under the headings “*Investment Policy*” and “*The Index*”.

## Investment Policy

In order to achieve its investment objective, the Management Company on behalf of the Sub-Fund will invest the net proceeds of any issue of Shares in (i) one or more Financial Derivative Instruments (each, a “**Swap**”) which will give the Sub-Fund an investment exposure to the Index; (ii) assets held for liquidity purposes, as further described below under the heading “*Liquidity Portfolio (and efficient portfolio management)*”; and (iii) foreign exchange currency forward contracts (each, an “**FX Contract**”) in order to smooth out the currency exposure to which the Sub-Fund will be exposed in respect of the Classes which are denominated in currencies which are not the same as the Reference Currency of the Sub-Fund.

### *The Index*

This section provides a brief overview of the Index. It contains a summary of the principal features of the Index and it is not a complete description. An English language version of a detailed description of the rules governing the Index (the “**Index Rules**”) is available to investors at <http://www.citigroup.com/icg/euprospectus.jsp>. In particular, the Index Rules include a description of the manner in which the Index is calculated, and a discussion of the factors (including risks) to be considered in connection with investing in an exposure to the Index.

Attention is drawn to the fact that the Index Rules may be amended from time to time without notice under certain circumstances. An amendment to the Index Rules will in general only be made where it is necessary to make an administrative update or to address an error, omission or ambiguity. A change to this Annex may be made following such an amendment. Where any change to the Index Rules causes a material change to the investment policy of the Sub-Fund, prior approval of the Shareholders will be sought.

The Index is a notional rules-based proprietary index, which has been developed by Citigroup Global Markets Limited.

The Index comprises three sub-indices (each, a “**Sub-Index**”), each of which is a notional rules-based proprietary index which has been developed by Citigroup Global Markets Limited, and gives an investment exposure to an investment style which aims to benefit from a particular risk premium.

The notional exposure that the Index has to each Sub-Index is adjusted, potentially on a daily basis, in order to target an annualized volatility of the level of the Index of 5%.

The weight in the Index of each Sub-Index is balanced quarterly, such that a Sub-Index which has experienced higher drawdowns during the period since the previous quarterly balancing is given a lower weighting in the Index, and a Sub-Index which has experienced lower drawdowns during that period is given a higher weighting in the Index. For these purposes, a drawdown is a peak-to-trough decline. The weight in the Index following a quarterly balancing is subject to specified minimum percentages and maximum percentages.

The three Sub-Indices are: (i) the Citi Multi VIBE Long Short EUR Prim Index (the “**Low Volatility Sub-Index**”), which accounts for between 30% and 70% of the Index



before adjusting for volatility targeting; (ii) the Citi Pure Quality Europe Long Short Total Return Index (the “**Quality Sub-Index**”), which accounts for between 20% and 50% of the Index before adjusting for volatility targeting; and (iii) the Citi Pure Earnings Momentum Europe Long Short Total Return Index (the “**Momentum Sub-Index**”), which accounts for between 10% and 30% of the Index before adjusting for volatility targeting.

Each Sub-Index aims to benefit from a risk premium by taking a “relative value approach” by notionally assuming a long exposure which exhibits more of the relevant risk or characteristic, and a short exposure which exhibits less of the relevant risk or characteristic.

Whereas the Quality Sub-Index and the Momentum Sub-Index notionally assume long exposures and short exposures to the relevant shares directly, the Low Volatility Sub-Index does so through three constituent sub-indices, and further indices underlying those constituent sub-indices.

#### *The Low Volatility Sub-Index*

The Low Volatility Sub-Index aims to isolate and gain exposure to investment sensitivity (and therefore risk) to the volatility of the prices of individual shares that are traded in the Eurozone market, the UK market, and the US market. Share price volatility is a measure of the extent to which the price of a share fluctuates, and is therefore a measure of the risk of a potential loss arising from holding that share.

The three constituent sub-indices of the Low Volatility Sub-Index (each, a “**Low Volatility Sub-Index Constituent**”) are notional rules-based proprietary indices which have been developed by Citigroup Global Markets Limited. They are: (i) the Citi VIBE Eurozone Spread Beta Neutral Prim Index (the “**Eurozone Constituent**”), which accounts for 25% of the Low Volatility Sub-Index Constituent; (ii) the Citi VIBE UK Spread Beta Neutral Prim Index (the “**UK Constituent**”), which accounts for 25% of the Low Volatility Sub-Index Constituent; and (iii) the Citi VIBE Trend US Spread Alpha Net Total Return Prim Index (the “**US Constituent**”), which accounts for 50% of the Low Volatility Sub-Index Constituent.

Each Low Volatility Sub-Index Constituent assumes a long exposure to one or more Citi VIBE Indices. The “**Citi VIBE Indices**” are notional rules-based proprietary indices which have been developed by Citigroup Global Markets Limited, and which make use of the VIBE methodology.

The VIBE methodology is an algorithmic process by which an index of shares weights those shares with the aim of equalizing the effect on the volatility of that index of the volatility of those shares, in order to reduce the effect on the level of the Index of movements in the price of any one share. The VIBE methodology contrasts with the methodology of more traditional benchmark equity indices, whose constituent shares are weighted with reference to the market capitalization of the companies that are represented. Movements in the price of a share issued by a company with a high market capitalization, relative to the other companies represented in a traditional benchmark index, will have a disproportionate effect on that index. The VIBE methodology seeks to achieve a more balanced and diversified exposure to the risk of share price volatility.

The Citi VIBE Index to which the Eurozone Constituent assumes a long exposure is the Citi Volatility Balanced Beta (VIBE) Equity Eurozone Net Total Return Index. The Eurozone Constituent assumes a short exposure to the EURO STOXX 50<sup>®</sup> Gross Total Return Index.

The Citi VIBE Index to which the UK Constituent assumes a long exposure is the Citi Volatility Balanced Beta (VIBE) UK Spread Index. The UK Constituent assumes a short exposure to the FTSE 100<sup>™</sup> Total Return Index.

The two Citi VIBES Indices to which the US Constituent assumes an equally weighted long exposure are (i) the Citi VIBE Equity US Net Total Return Index; and (ii) the Citi VIBE Equity US Alpha Trend Net Total Return Index. The US Constituent assumes a short exposure to the S&P 100<sup>®</sup> Total Return Index.

It should be noted that there are some differences in the shares represented in the long exposure of each Low Volatility Sub-Index Constituent and the short exposure of each Low Volatility Sub-Index Constituent.

#### *The Quality Sub-Index*

The Quality Sub-Index aims to isolate and gain exposure to investment sensitivity (and therefore risk) to the quality of individual European shares. The quality of an individual share is assessed algorithmically with reference to the earnings of the issuing company, the quality of the issuing company's balance sheet, the financial stability of the issuing company, and the profitability of the issuing company.

On each balancing, the Quality Sub-Index algorithmically selects, and assumes a long exposure to, those shares of a group of eligible shares which exhibit higher quality, as assessed in the manner described above, and selects, and assumes a short exposure to, those shares of that group which exhibit lower quality. The algorithms that the Quality Sub-Index uses to select shares aim to exclude from the selection process factors other than the quality of the eligible shares.

#### *The Momentum Sub-Index*

The Momentum Sub-Index aims to isolate and gain exposure to sensitivity (and therefore risk) to the earnings momentum of individual European shares. The earnings momentum of an individual share is assessed algorithmically with reference to changes in the profitability of the issuing company and in the estimates (made by market analysts) of the earnings of the issuing company.

On each balancing, the Momentum Sub-Index algorithmically selects, and assumes a long exposure to, those shares of a group of eligible shares which exhibit higher earnings momentum, as assessed in the manner described above, and selects, and assumes a short exposure to, those shares of that group which exhibit lower earnings momentum. The algorithms that the Momentum Sub-Index uses to select shares aim to exclude from the selection process factors other than the earnings momentum of the eligible shares.

The group of eligible shares of both the Quality Sub-Index and the Momentum Sub-Index are those European shares in respect of which Citi Research publishes research.

The rules governing each Sub-Index (and in the case of the Low Volatility Sub-Index, each Low Volatility Sub-Index Constituent and each Citi VIBE Index) are available to investors at <http://www.citigroup.com/icg/euprospectus.jsp>.

### **Swaps**

Swaps are financial contracts which allow investors to gain exposure to an underlying asset, which is, in the case of the Sub-Fund, the Index.

The Sub-Fund will enter into one or more Swaps with one or more counterparties which satisfy the CSSF's eligibility criteria as set out in Appendix A "*Investment Powers and Restrictions*" of this Prospectus (each, a "**Swap Counterparty**"). The Swap Counterparties are selected by the Company on the advice of the Management Company from time to time, and may include Citigroup Global Markets Limited or any of its affiliates.

The extent to which a Swap creates an exposure to the Index can be referred to as the "notional size" of the Swap. A Swap may be either "fully-funded" or "unfunded". These terms are described in the following paragraphs.

Under a fully-funded Swap, the Sub-Fund makes an upfront payment equal to the notional size of the Swap to the relevant Swap Counterparty when it enters into the Swap, using the net proceeds of any issue of Shares. At the end of the term of the Swap, the Sub-Fund receives a payment from the relevant Swap Counterparty, the amount of which is determined with reference to the performance of the Index. Taking into account the upfront payment made by the Sub-Fund, the Sub-Fund either realizes a net gain if the Index's performance has been positive, or realizes a net loss if the Index's performance has been negative.

Under an unfunded Swap, the Sub-Fund does not make any upfront payment. Instead, the Sub-Fund either receives a payment from the relevant Swap Counterparty if the performance of the Index has been positive, or makes a payment to the relevant Swap Counterparty if the performance of the Index has been negative. In exchange for receiving exposure to the Index, the Sub-Fund makes periodic payments to the relevant Swap Counterparty based on a cash-like return, and to make these payments, it uses the amounts it receives under efficient portfolio management transactions (which are described in more detail below under the heading "*Liquidity Portfolio (and efficient portfolio management)*").

The Investment Manager will assess whether, for the purposes of efficient portfolio management, a Swap should be entered into a funded basis, a partially-funded basis or an unfunded basis,.

Further details relating to the Swaps are set out under the headings "*Collateral*" and "*Documentation*" below.

### **Liquidity Portfolio (and efficient portfolio management)**

The Sub-Fund may invest some or all of the net proceeds of any issue of Shares, that it does not use to make an upfront payment under a Swap, in a portfolio (the "**Liquidity**

**Portfolio**”) comprising one or more of cash deposits, government bonds, money market instruments, fixed or floating rate transferable securities (excluding asset-backed securities (ABS), credit default obligations (CDOs) and collateralized loan obligations (CLOs)), and other UCITS funds, including money market funds.

The investment objective of the Liquidity Portfolio is capital preservation rather than capital growth. The Liquidity Portfolio will be diversified in accordance with UCITS requirements under UCI Law and the UCITS Directives, as set out in in Appendix A “*Investment Powers and Restrictions*” of this Prospectus.

The Sub-Fund may also enter into repurchase, reverse repurchase and securities lending transactions (each, an “**EPM Transaction**”) for the purposes of efficient portfolio management.

The Sub-Fund enters into an EPM Transaction with a counterparty which satisfies the CSSF’s eligibility criteria as set out in Appendix A “*Investment Powers and Restrictions*” of this Prospectus (each, an “**EPM Counterparty**”). The EPM Counterparties are selected by the Company on the advice of the Management Company from time to time, and may include Citigroup Global Markets Limited or any of its affiliates.

Further details relating to the EPM Transactions are set out under the headings “*Collateral*” and “*Documentation*” below.

### **Foreign Exchange Currency Forward Contracts (FX Contracts)**

The Sub-Fund will enter into a separate FX Contract for each Class in respect of which it has exposure to movements in currency exchange rates (i.e. each Hedged Class of Shares) with a counterparty which satisfies the CSSF’s eligibility criteria as set out in Appendix A “*Investment Powers and Restrictions*” of this Prospectus (an “**FX Counterparty**”). The FX Counterparty is selected by the Company on the advice of the Management Company from time to time, and may include Citibank, N.A. or any of its affiliates. The Management Company may delegate this function to a hedging agent.

The Share Class section below specifies, for each Class, whether or not currency hedging applies. The Sub-Fund may enter into different FX Contracts to seek to hedge against changes in the values of the Hedged Classes of Shares as a result of changes in currency exchange rates between the Reference Currency and the relevant Share Class Currency.

All hedging transactions will be clearly attributable to a specific Class and therefore currency exposures of different Classes shall not be combined or offset, and currency exposures of assets of the Sub-Fund shall not be allocated to separate Classes. Each Hedged Class of Shares shall bear the costs of the hedging transactions attributable to such Class, and the Net Asset Value of each Hedged Class of Shares will reflect the costs and gains/losses of the hedging transactions attributable to such Class.

It is expected that the extent to which such currency exposure will be hedged may from time to time be less than or more than 100% of the Net Asset Value attributable to the relevant Class, whereupon the Management Company will keep the situation under

review. Over-hedged or under-hedged positions are not the intention of the Sub-Fund, but may arise due to factors outside its control.

The Sub-Fund, in respect of each Hedged Class of Shares, may incur transaction costs in respect of currency hedging transactions. Any costs and gains/losses of the hedging transactions will accrue solely to the relevant Class.

Further details relating to the FX Contracts are set out under the headings “*Collateral*” and “*Documentation*” below.

## **Collateral**

Where applicable, the parties to the Swaps, the FX Contracts (if any) and the EPM Transactions (if any) (the “**Contracts**”) (i.e. the Company on behalf of the Sub-Fund on the one hand, and each Swap Counterparty, each FX Counterparty and each EPM Counterparty, as relevant, respectively, on the other hand) may be required, under the terms of the relevant agreements, to provide collateral (the “**Collateral**”).

Where the Company on behalf of the Sub-Fund is required to post Collateral, the costs associated with providing such Collateral will be reflected in the pricing of the relevant Contracts and will therefore ultimately impact the Net Asset Value of the Shares.

The Sub-Fund’s exposure to each Swap Counterparty, each FX Counterparty and each EPM Counterparty will be collateralized so as to ensure that the Sub-Fund’s counterparty exposure complies with the UCITS requirements as detailed in Appendix A “*Investment Powers and Restrictions*” and Appendix B “*Special Techniques and Instruments*” of this Prospectus.

The Company on behalf of the Sub-Fund will only accept Collateral that is compliant with the eligibility and diversification rules imposed on UCITS under the UCI Law and the UCITS Directive, the ESMA Guidelines 2014/937 and all applicable CSSF Circulars.

## **Borrowings and leverage**

In accordance with the general provisions set out under heading E “*Borrowing and Lending Powers*” in Appendix A “*Investment Powers and Restrictions*” of this Prospectus, the Company on behalf of the Sub-Fund may borrow up to 10% of the Net Asset Value of the Sub-Fund on a temporary basis.

The Sub-Fund may incur additional leverage through the use of Financial Derivative Instruments and/or through the short exposures assumed by the various Sub-Indices, as described under the headings “*Investment Policy*” and “*The Index*”. Leverage is calculated by reference to the sum of the notional amounts of the Financial Derivative Instruments entered into by the Company on behalf of the Sub-Fund. The amount of leverage incurred by the Sub-Fund through the Swap or Swaps (as relevant) will vary from time to time, according to the economic terms of the Swap or Swaps (as relevant), and is expected to be no greater than 100% of the Net Asset Value of the Sub-Fund. However, the Index contains embedded leverage which is the extent of the exposure it has to its three Sub-Indices; this embedded leverage will not amount to more than 360%. Taking into account the notional long and notional short exposures that each

Sub-Index assumes, the embedded leverage contained in the Index will not amount to more than 720%. Under certain circumstances the leverage of the Sub-Fund can be higher.

The use of FX Contracts in respect of Hedged Classes of Shares may result in the leverage incurred in respect the Hedged Classes of Shares exceeding 100% of the Net Asset Value of the Hedged Classes of Shares.

The market risk and leverage of the Sub-Fund will be measured and monitored in accordance with Luxembourg laws and regulations.

### **Investment restrictions**

The general investment restrictions set out under heading D “*Investment Restrictions*” in Appendix A “*Investment Powers and Restrictions*” of this Prospectus apply to the Sub-Fund.

### **Documentation**

The Swaps and the FX Contracts (if any) will each comprise an ISDA Master Agreement (including its Schedule and a Credit Support Annex) and a confirmation.

On or shortly prior to the issue of Shares of any Class created in respect of the Sub-Fund in respect of which currency hedging applies, a new FX Contract will be entered into by the Company on behalf of the Sub-Fund for such Class with the FX Counterparty. Separate FX Contracts will be entered into in respect of each Hedged Class of Shares. These FX Contracts will be renewed (“rolled over”) on a periodic basis.

The EPM Transactions (if any) will each comprise a market-standard contract.

From time to time, appropriate modifications (for example, additional confirmations) may be made in relation to redemptions and subscriptions of Shares. In addition, the Contracts will include provisions relating to their termination (including early termination).

### **Risk Management**

The Management Company has filed with the CSSF a risk management policy statement setting out how it intends to measure, monitor and manage the various risks associated with the Contracts it intends to enter into with one or more counterparties. The Company on behalf of the Sub-Fund will, for each Class, only enter into such contracts of the type listed in the risk management policy statement.

### ***Measurement of the Risk Exposure***

The global exposure of the Sub-Fund will be measured and monitored in accordance with the absolute VaR (“value at risk”) approach. VaR analysis is based on a statistical analysis of movements in the relevant market over a specified historical observation period of one year, in order to identify the potential losses which may occur during a specified “holding period”.

The absolute VaR of the Sub-Fund determined in this way shall not exceed 20% of its Net Asset Value, and is not expected to exceed 12.5% of its Net Asset Value where such absolute VaR is determined daily on the basis of a 99% confidence interval and a holding period of one month.

### **Listing**

Application may be made to the Luxembourg Stock Exchange for the listing of Shares on the official list of, and trading on the main market of, the Luxembourg Stock Exchange. As of the date of this prospectus, the Shares are not admitted to trading.

### **Factors affecting the value of Shares in the Sub-Fund**

The value of the Shares in the Sub-Fund will rise or fall depending on the performance of the Index.

In addition, the value of Shares in each of the Hedged Classes of Shares will also be affected by the gains or losses arising from the FX Contracts associated with the relevant Class.

### **Tracking accuracy**

The Sub-Fund has an indirect investment policy and tracks the performance of the Index by entering into one or more Swaps. The performance of a Swap typically allows the replication of the performance of the Index, before costs and expenses, without significant tracking error. The anticipated level of tracking error under normal market circumstances will not exceed 1%. This indication does not take into account Management Fees and Other Costs and Expenses (as detailed below for each Class). Under certain circumstances the tracking error of the Sub-Fund can be higher. Also, for Hedged Classes of Shares, the use of FX Contracts could cause additional tracking error.

Whilst the investment objective of the Sub-Fund is to replicate the performance of the Index before costs and expenses, Investors should be aware that the final return on an Investor's investment may be adversely affected by fees, costs, expenses, taxes, duties and levies, the performance of the Liquidity Portfolio and/or the returns of EPM Transactions and (in the case of Hedged Classes of Shares) the relevant foreign exchange rate.

## **Risk Factors**

In addition to the risk factors set out in section 16 “*Risk Factors*” of this Prospectus, the following risk factors must be considered.

### **General Risk Factors**

#### ***Potential Conflicts of Interest***

Citigroup Global Markets Limited and its affiliates (together, “**Citi**”) have various roles that may give rise to potential conflicts of interest in relation to the Sub-Fund. In addition to its roles as Global Distributor, Citi may act as a Swap Counterparty, an FX Counterparty and/or an EPM Counterparty.

Citi entities will only owe the duties and responsibilities expressly agreed to by them in their relevant capacities and will not be deemed to owe other duties or responsibilities or be deemed to owe a standard of care or fiduciary duty other than as expressly provided in respect of each capacity in which they act. In particular, Citi entities owe no duties or responsibilities in relation to the Sub-Fund other than as set out in this Prospectus, including this Annex.

Citi is not acting as Management Company or investment adviser and is not responsible for managing the Sub-Fund or the assets of the Sub-Fund. Consequently, it accepts no fiduciary obligations whatsoever in this respect to any Shareholders or any other party. Citi has no liability for the management of the Sub-Fund or its assets, and makes no statements or representation (including any advice as to investment, tax, legal or accounting matters) in connection with the Sub-Fund. Citi has no responsibility for the content of this Prospectus or any offering material in respect of the Sub-Fund.

Citi and/or the Management Company may, for their own account (including for the purpose of hedging their obligations under the relevant Financial Derivative Instruments) or on behalf of their customers, trade in financial instruments, including derivatives, linked to the Reference Index. These activities may result in conflicts of interest for Citi entities or the Management Company and may, directly or indirectly, affect (either positively or negatively) the performance of the Index, and in turn the Net Asset Value of the Shares of the relevant Class(es).

Citi and/or the Management Company may also from time to time act as trustee, administrator, registrar, manager, custodian, Management Company or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Sub-Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Company. Each will, at all times, have regard in such event to its obligations to the Company and will endeavour to ensure that such conflicts are resolved fairly.

This risk factor should be read in conjunction with the risk factor under the heading “*Potential Conflicts of Interest*” in section 16 “*Risk Factors*” of this Prospectus.



## **Risks relating to the Shares**

### ***Risk of losses***

The price of Shares can go up as well as down and investors may not realise their initial investment.

The investments and the positions held by the Sub-Fund are subject to various market risks, credit risks and operational risks, including: (i) reliability of counterparties; and (ii) operational efficiency in the actual implementation of the investment policy adopted by the Sub-Fund in order to realise such investments or take such positions.

At any time, the occurrence of any such risk is likely to generate a significant depreciation in the value of the Shares. Because of the risks embedded in the investment objective adopted by the Sub-Fund, the value of the Shares may decrease substantially and even fall to zero, at any time.

### ***Achievement of the Sub-Fund's Investment Objective***

No assurance can be given that the Sub-Fund will achieve its investment objective. There is no assurance that the investment strategy, as presented in this Annex under the headings "*Investment Objective*" and "*Investment Policy*", will lead to a positive performance in the value of the Shares. The Sub-Fund could suffer losses at a time when some financial markets experience appreciation in value.

### ***Counterparty risk***

The Company on behalf of the Sub-Fund will have exposure to the risk of a default by one or more (as relevant) Swap Counterparties (as its counterparties to one or more Swaps), one or more FX Counterparties (as its counterparties to one or more FX Contracts), and one or more EPM Counterparties (as its counterparties to one or more EPM Transactions).

### ***Concentration of counterparty risk***

The Sub-Fund's counterparties under the various Contracts may be one and the same entity, which may lead to a concentration of counterparty risk. Even though all Contracts will be collateralised in accordance with the applicable laws and regulations, such concentration may nevertheless affect the Sub-Fund's risk profile.

### ***Exchange rate risk***

The Management Company will attempt to reduce or minimize the effect on the value of the Hedged Classes of Shares of fluctuations in the exchange rate between the Reference Currency and the currency of denomination of the Hedged Classes of Shares. Any profit and loss resulting from FX hedging will be allocated only to the Hedged Class of Shares to which the specific hedge relates. Due to the foregoing, each Class may differ from each other in its overall performance.

It is expected that the extent to which the currency exposures of each Hedged Class of Shares will be hedged may from time to time be less than or more than 100% of the Net Asset Value attributable to the relevant Class, whereupon the Management Company

will keep the situation under review. Over-hedged or under-hedged positions are not the intention of the Sub-Fund, but may arise due to factors outside the control of the Sub-Fund.

There is no guarantee that any FX hedging for Hedged Classes of Shares will achieve the objective of reducing the effect of exchange rate fluctuations. Investors in Shares of a Hedged Class of Shares should be aware that the hedging strategy may substantially limit them from benefitting if the relevant Share Class Currency falls in value against the Reference Currency.

### ***Early termination of the Sub-Fund***

The Sub-Fund may be terminated by the Directors in accordance with the terms of this Prospectus and the Articles of Incorporation in the event that *inter alia* the derivative contracts entered into in respect of the Sub-Fund are terminated early. In the event of the termination of the Sub-Fund, Shareholders may not receive the full amount they have invested, depending on the performance of the Sub-Fund as at the time of such termination; Shareholders will receive the Net Asset Value at termination of the Sub-Fund. Please refer to section 6 “*Termination of a Sub-Fund and/or Class of Shares*” of this Prospectus.

### ***Costs of Collateral***

The costs associated with counterparties providing Collateral under the Contracts will be reflected in the pricing of such Contracts and will therefore ultimately impact the Net Asset Value of the Shares.

### **Risk relating to the Investment Policy: the Index and its constituents**

For the purposes of this discussion of the risks relating to the Investment Policy, the Index, each Sub-Index (and in the case of the Low Volatility Sub-Index, each Low Volatility Sub-Index Constituent and each Citi VIBE Index) are together, the “**Citi Indices**” and each of them is a “**Citi Index**”.

### ***The level of the Index can go down as well as up***

The level of the Index can go down as well as up, and the performance of the Index will directly affect the Net Asset Value of Shares in the Sub-Fund. It is impossible to predict whether the Index will rise or fall. The actual future performance of the Index may bear little or no relation to its historical or hypothetical back-tested levels, which in most cases have been highly volatile.

### ***The Index does not track the equity market***

The Index is based on a technique of building an equity investment portfolio based on long-short exposures, which means that it is not expected to track the performance of the equity market more generally. The Index may fall even in a rising equity market.

However, the correlation between the Sub-Indices, and between the Sub-Indices and the equity market in general, contribute to the performance of the Index. If the returns of the Sub-Indices are positively correlated, the Index may be subject to equity market directional risk.

***The Index is concentrated, and is based on style investing***

The Index is concentrated because it uses a low number of investment styles (i.e. low volatility, quality and earnings momentum). Style investing can be highly cyclical, and the relationships and performances of these styles that have been observed historically may not continue to hold in the future. The investment styles on which the Index is based are not representative of similar styles or strategies generally.

***Limitations of how the Index allocates between the Sub-Indices***

A volatile market may lead to an undesirable allocation across the Sub-Indices. Exposure in the Index to individual Sub-Indices is based on recent drawdowns, and where the volatility of the level of a Sub-Index has been high, and drawdowns have been correspondingly high, that Sub-Index may be allocated a low weight in the Index which results in the Index underperforming.

***Limitations of volatility-targeting***

The volatility-targeting mechanism used by the Index may result in the Index underperforming other indices which do not target a particular level of volatility.

Despite targeting a particular, specified level of annualized volatility, the actual annualized volatility of the Index may be higher or lower than this target level.

Owing to the use of leverage in the volatility-targeting mechanism, the Index may be under-exposed to the Sub-Indices when it is trending upwards, or over-exposed to the Sub-Indices when it is trending downwards. This may result in the Index underperforming other indices which do not target a particular level of volatility.

***Particular limitations of the VIBE methodology used in the Low Volatility Sub-Index***

The VIBE methodology aims to equalize the price volatility of index constituents. The VIBE methodology does not aim to identify or to quantify other forms of risk which may affect the individual performance of shares or an index of share prices as a whole. Other methodologies for equalizing the price volatility of index constituents may achieve better performance than the VIBE methodology.

The VIBE methodology does not aim to maximize returns. Other strategies may achieve a better performance than the VIBE methodology.

***Particular limitations of the Quality Sub-Index and the Momentum Sub-Index***

The Quality Sub-Index and the Momentum Sub-Index may underperform other equity indices, including those with the same share constituents, which use a different weighting scheme. The Quality Sub-Index and the Momentum Sub-Index may underperform an actual investment in those shares.

The weighting scheme used by the Quality Sub-Index may not adequately capture the quality of the relevant shares, and the weighting scheme used by the Momentum Sub-Index may not adequately capture the earnings momentum of the relevant shares.

There is no minimum or maximum number of shares which may be included in either the Quality Sub-Index or the Momentum Sub-Index. Consequently, the Quality Sub-Index and the Momentum Sub-Index may be more concentrated or less concentrated than other equity indices or investment products linked to equity market performance.

The constituents of the Quality Sub-Index and the Momentum Sub-Index are selected by a process that is determined and published by Citi Research. Although the quantitative filters that are used are defined by Citi Research, the parameters of those filters are within the discretion of Citi Research, which may amend those filters without notice to investors in Shares in the Sub-Fund.

The methodology of the Quality Sub-Index and the Momentum Sub-Index is based on research, and assumes that Citi Research will continue to publish monthly reports in respect of these indices. However, Citi Research is under no obligation to publish or update these reports at any particular frequency, or at all. If Citi Research announces that it will cease publication of these reports, or if Citi Research does not publish any such report for a continuous 12-month period, or a regulatory issue arises which makes it impermissible, inadvisable or undesirable for Citi Research to continue to publish these reports, then the index sponsor may discontinue and cancel these indices.

#### ***Fixed algorithmic model parameters***

In common with all algorithmic strategies, the Citi Indices use rules-based methodologies which refer to fixed parameters. The methodologies of the Citi Indices have been developed on the assumption that these fixed parameters are reasonable. However, alternative parameters may give better results.

#### ***Backward-looking***

The Citi Indices are algorithmic and based on historical information. This means that they are backward-looking and do not indicate or predict future results.

#### ***Rebalancing frequency***

The Citi Indices are rebalanced periodically, and the effective weights of their constituents may deviate significantly between rebalancings from the weights that are applied on each rebalancing.

#### ***Notional exposures***

The Citi Indices reflect the performance of notional positions in their constituents. There is no actual portfolio of assets to which any person is entitled or in which any person has any ownership interest. The Citi Indices merely identify certain hypothetical investment positions, the performance of which will be used to calculate their levels.

#### ***Notional fees and costs***

Notional fees and costs are applied, under the Index Rules, to the calculation of the level of the Index. These notional fees and costs will adversely affect the level of the Index.

### ***Limited operating history***

The Citi Indices have a limited history, and any hypothetical past performance that is presented may be calculated from back-testing simulation. Any back-testing simulation is illustrative only, and based on certain historical data, assumptions and estimates. Any such back-testing simulation should not be considered indicative of the actual results that may be obtained from an investment in a financial product, including the Shares in the Sub-Fund, which is linked to the performance of the Index.

### ***Index disruptions***

Following a disruption event, the index calculation agent may postpone calculations, and/or make good faith price determinations, and/or suspend the publication of a Citi Index, and the index sponsor may discontinue the publication of a Citi Index. A number of market disruption events are described in the Index Rules of the Index and the rules of the other Citi Indices.

### ***Index governance***

Citigroup Global Markets Limited is the index sponsor of each Citi Index, and the index calculation agent of each Citi Index (other than the Citi indices discussed in the following paragraph).

S&P Dow Jones Indices LLC and/or its subsidiaries is/are (as relevant) the index calculation agent of (1) the Quality Sub-Index, (2) the Momentum Sub-Index, (3) the four Citi VIBE Indices.

The rules governing the Citi Indices confer on the index sponsor and the index calculation agent a degree of discretion in making certain determinations and calculations in relation to, for example, the occurrence of disruptions and extraordinary events. Although the index sponsor and the index calculation agent will each act in good faith and in a commercially reasonable manner, the exercise of any such discretion may have an adverse effect on the level of the Citi Indices.

The index calculation agent will make all calculations, determinations, rebalancings and adjustments (“**Calculations**”) in respect of the Citi Indices. Neither the index sponsor nor the index calculation agent has any responsibility for good faith errors or omissions in its Calculations, as provided in the index rules. The index calculation agent will make Calculations acting in its sole, absolute and unfettered discretion, but in good faith and in a commercially reasonable manner, having regard to the criteria stipulated in the index rules and (where relevant) on the basis of information provided to or obtained by its employees or officers who are responsible for making the relevant Calculation. All Calculations shall, in the absence of manifest error, be final, conclusive and binding on any user of one of these indices, including any holder of or counterparty to any investment product linked to the Index (including a Swap).

Neither the index sponsor nor the index calculation agent is under any obligation to continue to calculate, publish or disseminate any of the Citi Indices or their levels.

### ***Additional conflicts of interest***

Citigroup Global Markets Limited may have potential conflicts of interest as a result of its role as index sponsor and index calculation agent of certain Citi Indices (as specified above). Citi trades in the shares underlying the Citi Indices in the ordinary course of business for its own account and for other accounts under its management. These trading activities may potentially affect the value of these shares or the levels of the Citi Indices. Citi may act as issuer, agent or underwriter for the issuance of shares, or enter into other transactions with returns linked to, or related to, changes in the levels of the Citi Indices or the constituents of Citi Indices, and may also enter into hedging transactions in connection with these transactions. These transactions may affect the levels of the Citi Indices and may generate a profit for Citi, even in the case of a fall in the relevant Citi Index.

### ***Reliance on publicly-available sources***

Although the index calculation agent will obtain information for inclusion in or use in the calculation of the Citi Indices from sources which it considers reliable (such sources include the index calculation agent's own internally-maintained database and public sources such as Bloomberg and Reuters), the index calculation agent will not publish or independently verify such information.

### ***Risks associated with Leverage***

Leverage (which is discussed above under the heading "*Borrowings and Leverage*") will increase the potential for gain but will also increase the risk of loss.

### ***Trading Costs***

The trading costs associated with entering into each Swap will act as a drag on the performance of the Sub-Fund.

### ***Disruption Events***

A transaction in any Contract that the Sub-Fund may enter into, including any Swap, any FX Contract and any EPM Transaction, may be subject to disruption and may be terminated early if a market disruption event occurs or if the relevant counterparty defaults.

**This list of additional risk factors is not intended to be exhaustive. Prospective investors should seek such advice as they consider necessary from their professional advisers, investment, legal, tax or otherwise.**

## **Fees and Expenses**

### **General**

The following fees and expenses will be incurred by the Company on behalf of the Sub-Fund and will affect the Net Asset Value per Share of each Class issued in respect of the Sub-Fund. This section headed “*Fees and Expenses*” should be read in conjunction with section 21 “*Company Charges*” of this Prospectus.

### **Management Fee**

The Management Fee in respect of each Class is specified in the Share Class section of this Annex.

The Management Fee in respect of each Class will accrue on each Business Day, and will be calculated on each Business Day with reference to the Net Asset Value of such Class on the immediately preceding Business Day. The Management Fee will be deducted from the prevailing Net Asset Value of each Share of each Class, and will be paid on the final Business Day of each calendar month in arrears.

The Management Fee will be used to make payments to the Management Company and the Global Distributor.

### **Preliminary Charge**

The Preliminary Charge in respect of each Class is specified in the Share Class section of this Annex.

The Preliminary Charge will be added to the amount payable on a subscription for Shares of the relevant Class and will not affect the Net Asset Value of such Class.

The Preliminary Charge will be retained by the relevant Distributor (other than the Global Distributor).

### **Other Costs and Expenses**

The Company on behalf of the Sub-Fund will pay, in respect of each Class, up to the percentage specified in respect of such Class in the Share Class Section of this Annex of the Net Asset Value of such Class in Other Costs and Expenses.

## **General Information Relating to the Sub-Fund**

### **Business Day**

Any day:

1. on which commercial banks are open for the full day for business and settle payments (including dealings in foreign exchange and foreign currency deposits) in London, Luxembourg and New York;
2. on which the Trans-European Automated Real-time Gross settlement Express Transfer system 2 (TARGET 2) is open; and
3. which is a day on which the level of the Index is published.

### **Dealing Day**

Any Business Day.

### **Valuation Day**

Any Dealing Day.

### **Sub-Fund Subscription Deadline**

9.30 a.m. (Luxembourg time) on the relevant Dealing Day. The Directors may elect to extend this deadline to 12.00 noon (Luxembourg time) in their sole and absolute discretion (any such extended deadline would apply to all investors).

### **Sub-Fund Conversion Deadline**

### **Sub-Fund Redemption Deadline**

9.30 a.m. (Luxembourg time) on the relevant Dealing Day. The Directors may elect to extend this deadline to 12.00 noon (Luxembourg time) in their sole and absolute discretion (any such extended deadline would apply to all investors).

### **Settlement Date**

In the case of subscriptions, up to two Business Days after the relevant Dealing Day, assuming the receipt prior to the Sub-Fund Subscription Deadline for such Dealing Day of the relevant signed subscription application and the availability of cleared funds, each as confirmed by the Administrator.

In the case of redemptions, up to five Business Days after the relevant Dealing Day, assuming the receipt prior to the Sub-Fund Redemption Deadline for such Dealing Day of the relevant signed redemption request, as confirmed by the Administrator.



**Dilution Levy**

The Directors do not intend to charge a Dilution Levy.

**Dividend Policy**

The Board of Directors may declare dividends for certain Classes as specified in the Share Class Section (and each such Class shall be distribution Class). The declaration and payment of dividends shall be in accordance with the dividend policy of the Company.

**Minimum Sub-Fund Size**

EUR 50 million (or the equivalent in such other relevant currency) or such other amount as the Directors may determine from time to time in their sole and absolute discretion.

**Reference Currency**

EUR (Euros).

**Management Company**

Assenagon Asset Management S.A.

**Custodian and Paying Agent**

Citibank Europe plc, Luxembourg Branch

**Swap Counterparty**

An entity or entities (including, without limitation, Citigroup Global Markets Limited (\*) or any of its affiliates) to be selected by the Company on the advice of the Management Company in its role as Management Company.

The Shareholders may obtain information about the selected entity or entities from the Company by contacting it at the registered office shown in section 1 “*Organization of the Company*” of this Prospectus.

**EPM Counterparty**

An entity or entities to be selected by the Company on the advice of the Management Company in its role as Management Company.

The Shareholders may obtain information about the selected entity or entities from the Company by contacting it at the address shown in section 1 “*Organization of the Company*” of this Prospectus.

**FX Counterparty**

An entity or entities to be selected by the Company on the advice of the Management Company in its role as Management Company.

The Shareholders may obtain information about the selected entity or entities from the Company by contacting it at the address shown in section 1 “*Organization of the Company*” of this Prospectus.

(\*) Citigroup Global Markets Limited is an affiliate of the Custodian, Citibank Europe plc, Luxembourg Branch.

| <b>Share Class Section</b>             |  |               |               |
|--|--|---------------|---------------|
| <b>Accumulation Shares</b>             |  |               |               |
| Share Class:                           | Class I  | Class C       | Class A       |
| Hedged Classes of Shares:              | GBP, JPY, USD  | GBP, JPY, USD | GBP, JPY, USD |
| Restrictions on the type of Investors: | Institutional Investors only   | N/A           | N/A           |
| Initial Issue Price:                   | 1,000  | 1,000         | 1,000         |
| Initial Issue Date:                    | 6 July 2015 or any other date as may be determined by the Board of Directors in its discretion |               |               |
| Subscription Commission:               | N/A  | Up to 5%      | Up to 5%      |
| Repurchase Charge:                     | N/A  |               |               |
| Minimum Initial Investment Amount:*    | 1,000,000  | 100,000       | 1,000         |
| Minimum Additional Investment Amount:* | 100,000  | 10,000        | 1,000         |
| Minimum Repurchase Amount:*            | 100,000  | 10,000        | 1,000         |
| Minimum Shareholding:*                 | 1,000,000  | 100,000       | 1,000         |
| Minimum Share Class Size:*             | 10,000,000   | 10,000,000    | 10,000,000    |
| Management Fee:                        | 0.60%  | 0.80%         | 1.10%         |
| Other Costs and Expenses:              | 0.20%  | 0.20%         | 0.20%         |
| SEDOL Code:                            | -  | -             | -             |
| ISIN Code:                             | -  | -             | -             |

\* Amounts are expressed in the currency of the relevant Share Class with the exception of Share Classes denominated in Japanese Yen where the amounts are expressed in 100 of Yens.

The Management Fee, and Other Costs and Expenses will be calculated by reference to the prevailing NAV of each Share Class on a daily basis.

| <b>Share Class Section</b>             |  |               |               |
|--|--|---------------|---------------|
| <b>Distribution Shares</b>             |  |               |               |
| Share Class:                           | Class ID   | Class CD      | Class AD      |
| Hedged Classes of Shares:              | GBP, JPY, USD  | GBP, JPY, USD | GBP, JPY, USD |
| Restrictions on the type of Investors: | Institutional Investors only   | N/A           | N/A           |
| Initial Issue Price:                   | 1,000  | 1,000         | 1,000         |
| Initial Issue Date:                    | 6 July 2015 or any other date as may be determined by the Board of Directors in its discretion |               |               |
| Subscription Commission:               | N/A  | Up to 5%      | Up to 5%      |
| Repurchase Charge:                     | N/A  |               |               |
| Minimum Initial Investment Amount*:    | 1,000,000  | 100,000       | 1,000         |
| Minimum Additional Investment Amount*: | 100,000  | 10,000        | 1,000         |
| Minimum Repurchase Amount*:            | 100,000  | 10,000        | 1,000         |
| Minimum Shareholding*:                 | 1,000,000  | 100,000       | 1,000         |
| Minimum Share Class Size*:             | 10,000,000   | 10,000,000    | 10,000,000    |
| Management Fee:                        | 0.60%  | 0.80%         | 1.10%         |
| Other Costs and Expenses:              | 0.20%  | 0.20%         | 0.20%         |
| SEDOL Code:                            | -  | -             | -             |
| ISIN Code:                             | -  | -             | -             |

\* Amounts are expressed in the currency of the relevant Share Class with the exception of Share Classes denominated in Japanese Yen where the amounts are expressed in 100 of Yens.

The Management Fee, and Other Costs and Expenses will be calculated by reference to the prevailing NAV of each Share Class on a daily basis.

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## Red Arc Global Investments (Luxembourg) SICAV

### Absolute Return Opportunities Fund

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#### Introduction

This annex (the "**Annex**") contains information in relation to Classes of Shares issued in the Absolute Return Opportunities Fund (the "**Sub-Fund**"), which is a sub-fund of Red Arc Global Investments (Luxembourg) SICAV (the "**Company**"), an undertaking for collective investment in transferable securities (a "**UCITS**") with multiple compartments pursuant to Part I of the Luxembourg law of 17 December 2010 on undertakings for collective investment (the "**UCI Law**") and Directive 2009/65/EC of the European Union Parliament and of the Council of 13 July 2009 (the "**UCITS Directive**").

The Directors (whose names appear in section 1 "*Organization of the Company*" of this Prospectus) accept responsibility for the information contained in this Annex.

The Directors of the Company expect that the Net Asset Value of the Sub-Fund will have a low to medium volatility, through investment in Financial Derivative Instruments.

Unless otherwise defined in this Annex, words and expressions used herein will have the same meaning as in the rest of this Prospectus.

#### Profile of a Typical Investor

Subject to their personal circumstances, the Sub-Fund may be appropriate for investors who seek exposure to an investment strategy which aims to benefit from the returns that may be earned by isolating and gaining exposure to certain risks in a variety of markets (each return is referred to as a "**risk premium**") through allocation to a set of systematic trading strategies and financial indices whose returns exhibit low correlation to traditional asset classes and a differentiated pay-off profile to traditional long-only strategies, whilst limiting the effect of the direction in which the overall markets move, and with a degree of volatility control.

An investment in the Sub-Fund is not a deposit in a bank or other insured depositary institution. Investment in the Sub-Fund may not be appropriate for all investors. The Sub-Fund is not intended to be a complete investment programme and investors should consider their long-term investment goals and financial needs as well as the risks when making an investment decision about the Sub-Fund. An investment in the Sub-Fund is intended to be a long-term investment. The Sub-Fund should not be used as a trading vehicle.

#### Investment Objective

The investment objective of the Sub-Fund is to provide investors with absolute returns across various market conditions. The Sub-Fund seeks to gain exposure to a diversified portfolio of risk premia strategies (each a "**Strategy**") or financial indices (each an

"**Index**"), each developed by Citigroup Global Markets Limited ("**CGML**") or Citibank, N.A. ("**CBNA**"), across multiple asset classes.

Each of the Strategies and Indices seek to earn a premium by following a particular investment style (each a "**Style**") such as momentum, relative value, quality and carry. The Styles are applied across a wide range of asset classes including equities, fixed income, foreign exchange rates or currencies and/or commodities .

There is no assurance, however, that the Sub-Fund will achieve its investment objective.

### **Investment Policy**

In order to achieve its investment objective, the Management Company on behalf of the Sub-Fund will invest the net proceeds of any issue of Shares in (i) Financial Derivative Instruments (each, a "**Swap**"), negotiated at arm's length, which give the Sub-Fund an investment exposure to one or more Strategies and/or Indices; (ii) assets held for liquidity purposes, as further described below under the heading "*Liquidity Portfolio*"; and/or (iii) foreign exchange currency forward contracts (each, an "**FX Contract**") in order to smooth out the currency exposure to which the Sub-Fund will be exposed in respect of Hedged Classes of Shares. The Sub-Fund may also use derivatives for hedging purposes.

### ***The Strategies and the Indices***

Both the Strategies and the Indices will be notional and rules-based, using a non-discretionary and algorithmic approach developed solely by CGML or CBNA. No other strategies or indices developed by any other third parties shall be used in the Sub-Fund. Not all Indices and Strategies developed by CGML or CBNA will be made available to the Sub-Fund.

In general, each Strategy or Index aims to capture a positive premium linked to the persistence of structural or behavioural anomalies. A Strategy or Index will seek to identify a particular risk premia by notionally taking a long exposure which exhibits more of the relevant risk or characteristics, and a short exposure which exhibits less of the relevant risk or characteristic. For example, a Strategy seeking to identify carry risk premia could take long exposure to a portfolio of currencies with highest yields and then short exposure to currencies with lowest yield. Each Strategy or Index relates to a particular asset class or multiple asset classes, such as equities, fixed income, foreign currencies and/or commodities (each an "**Asset Class**").

As a general rule, Strategies shall be considered on a look-through basis, and consist exclusively of eligible assets under the UCITS Directive and the UCI Law. Indices will qualify as "financial indices" for the purposes of Article 41(1)(g) of the UCI Law and Article 9 of the Grand-Ducal Regulation 2008 and will accordingly not be considered on a look-through basis. For example, exposure to commodities will generally be achieved through investment in one or more Indices.

An English language version of a detailed description of the rules governing each Strategy and each Index is available to investors either at <http://www.citigroup.com/icg/euprospectus.jsp> or upon request from the Management Company.



### *The Portfolio Allocation*

The Management Company will select the Strategies and Indices from those which are made available to them by CGML and/or CBNA the Strategies and Indices eligible to be invested in by the Fund (the "**Eligible Strategies and Indices**"). The Eligible Strategies and Indices may be updated from time to time by the Management Company. For avoidance of doubt, any new Strategies and Indices made available to the Management Company will still be limited to those developed by CGML and/or CBNA. There will typically be at least 9 Eligible Strategies and Indices covering at least 3 asset classes. Please refer to the "Limited Investment Universe" section below for a description of certain risks associated with limiting the investment universe of the Sub-Fund to Eligible Strategies and Indices. The most recent list of Eligible Strategies and Indices will be disclosed to investors in the monthly factsheet published on the website [www.funds.citi.com](http://www.funds.citi.com).

The Management Company has appointed Blackrock Financial Management, Inc (the "**Portfolio Advisor**"), under an investment advisory agreement, to advise on the allocation of the Sub-Fund's assets across the selected Strategies and Indices. The Portfolio Advisor is not in any way responsible for the management of the investments of the Sub-Fund and is not acting in a fiduciary capacity to the Sub-Fund or shareholders in the Sub-Fund. The Portfolio Advisor will provide non-binding recommendations based on economic theory, empirical data and its own experience managing systematic trading strategies. The investment teams of the Portfolio Advisor will recommend the portfolio allocation to the Eligible Strategies and Indices which in their judgment best meets the criteria of maximizing returns and limiting drawdowns, while achieving the long-term volatility target of the Sub-Fund of 6 % per annum. The Sub-Fund may actively incur leverage with a view to achieving this volatility target.

The Management Company shall be solely responsible for managing the Sub-Fund and the assets of the Sub-Fund and exercising investment discretion in respect of the Sub-Fund in the context of the investment objective and market conditions. In addition, the Management Company will consider the portfolio allocation advised by the Portfolio Advisor to ensure it is compliant with the Sub-Fund's investment objectives and guidelines and UCITS regulations and subsequently implement such allocation, according to the Investment Policy, by taking into account the liquidity of the underlying investments.

The Portfolio Advisor's role is to recommend on an ongoing basis an allocation to each of the Eligible Indices and Strategies to best achieve three portfolio performance objectives: diversification, down-side risk control, and return per unit of risk. The Portfolio Advisor's approach to enhancing portfolio diversification may include balancing risk across Styles (momentum, value, quality, carry) and within Styles (e.g., currency carry, fixed income, carry, commodity carry, equity carry). In doing so, the Portfolio Advisor will focus primarily on diversifying the sources of returns and risks in order to avoid any undesirable concentration. This involves taking into account the nature of the Eligible Strategies and Indices such as which asset classes they invest in and which investment style they follow. Empirical and theoretical research conducted by the Portfolio Advisor has found that some Styles have higher returns and greater diversification benefits than others in normal times or in extreme market environments and would therefore be more attractive from a portfolio construction standpoint. With the benefit of these insights the Portfolio Advisor will tilt the allocation away from an

equal risk contribution allocation to each of the Indices and Strategies to seek to limit drawdowns and achieve more consistent performance through time.

The allocation will evolve in a dynamic fashion for two main reasons: (i) New strategies and indices (among the Eligible Strategies and Indices) may be added to the Sub-Fund and others may be removed (ii) In extreme scenarios the Portfolio Advisor may recommend to reduce the exposure to all Eligible Indices and Strategies or to increase or reduce the exposure to one or a group of Eligible Indices and Strategies based on its best judgment and proprietary valuation and sentiment indicators. The recommended allocations will be rebalanced monthly or more frequently as required by market conditions. In the absence of short-term decisions required by unusual market conditions, the rebalancing decisions are made with a medium-term horizon which could range from a few months to a few years. As such the Portfolio Advisor is not expected to engage in frequent changes to the recommended allocation to capture short-term market movements.

The Portfolio Advisor recommends an allocation to the Eligible Indices and Strategies based on their expected contribution to the risk of the Sub-Fund. To do so requires taking into account not only the individual volatility of each Eligible Strategy and Index but also the correlations among them. Correlations are expected to fluctuate through time. An environment in which correlation increase across several Eligible Strategies or Indices could lead the Portfolio Advisor to recommend a reduction in the allocations to all Eligible Indices and Strategies.

The Portfolio Advisor aims to achieve a diversified portfolio of the Eligible Strategies and Indices, whereby the exposure to any given Asset Class is not expected to exceed 75% of the Sub-Fund's assets on an unleveraged basis, or 75% of the Sub-Fund's total notional exposure on a leveraged basis, and the exposure to any single Strategy or Index is not expected to exceed 30% of the Sub-Fund's assets on an unleveraged basis, or 30% of the Sub-Fund's total notional exposure on a leveraged basis. Under certain circumstances such as unusual market movements, the exposure may exceed these limits.

**Investors should note that the portfolio of the Sub-Fund may be subject to relatively high degrees of leverage, and are invited to consider the Section "*Borrowing and Leverage*" below with appropriate care.**

As the Portfolio Advisor will not be permitted to use any strategies or indices developed by third parties even if use of such strategies and indices may achieve better diversification, down-side risk control or return per unit of risk, it may not be able to achieve the diversification or optimal investment allocation it seeks.

The Portfolio Advisor has the right to terminate its engagement with the Management Company upon three (3) months prior notice. If the Management Company is unable to find a suitable replacement on a timely basis, recommendations on allocation to the Eligible Indices and Strategies will not be provided on a timely basis, thereby making it difficult to change allocation promptly to achieve diversification, down-side risk control and return per unit of risk.

## Swaps

A Swap is a financial contract which allows investors to gain exposure to an underlying asset. In the case of the Sub-Fund, exposure to the Strategies and/or Indices will be through Swaps.

The Sub-Fund will enter into one or more Swaps with one or more counterparties which satisfy the CSSF's eligibility criteria as set out in Appendix A under the heading "*Investment Powers and Restrictions*" of this Prospectus (each, a "**Swap Counterparty**"). The Swap Counterparties are selected by the Company on the advice of the Management Company from time to time, and will include CGML and/or CBNA. The selection of Swap Counterparties will be done in accordance with the Management Company's Best Execution and Risk Management Policies.

The extent to which a Swap creates an exposure to the underlying asset can be referred to as the "notional size" of the Swap. A Swap may be either "fully-funded" or "unfunded".

- a) Under a fully-funded Swap, the Sub-Fund makes an upfront payment equal to the notional size of the Swap to the relevant Swap Counterparty when it enters into the Swap, using the net proceeds of any issue of Shares. At the end of the term of the Swap, the Sub-Fund receives a payment from the relevant Swap Counterparty, the amount of which is determined with reference to the performance of the underlying asset. Taking into account the upfront payment made by the Sub-Fund, the Sub-Fund either realizes a net gain if the underlying asset's performance has been positive, or realizes a net loss if the underlying asset's performance has been negative.
- b) Under an unfunded Swap, the Sub-Fund does not make any upfront payment. Instead, upon maturity of the Swap, the Sub-Fund either receives a payment from the relevant Swap Counterparty if the performance of the underlying asset has been positive, or makes a payment to the relevant Swap Counterparty if the performance of the underlying asset has been negative.

The Management Company will assess whether, for the purposes of efficient portfolio management, a Swap should be entered on a funded basis, a partially-funded basis or an unfunded basis.

The Swaps will be marked-to-market on each Dealing Day. The notional size of a Swap may be adjusted from time to time to reflect, amongst other things, portfolio allocation, subscriptions or redemptions in the Sub-Fund, and the payment of various fees.

The Sub-Fund may be liable to pay fees associated with the Swaps to the Swap Counterparty. There may also be fees and/or other costs (including, without limitation, rebalancing expenses) embedded in the calculation of the underlying Strategies or Indices.

Further details relating to the Swaps are set out under the headings "*Collateral*" and "*Documentation*" below.

## **Swap Costs**

The Sub-Fund may pay fees associated with a Swap ("**Swap Costs**") to the relevant Swap Counterparty, for the provision by the Swap Counterparty of the Swap to the Sub-Fund. The Swap Costs associated with a Swap will comprise fees during its investment period ("**Ongoing Swap Costs**") and entry and exit fees ("**Swap Transaction Costs**"), and will vary, depending, in the case of each Swap, on the asset class or classes included in the Strategy or Index referenced by it, its notional size, prevailing market conditions, and choice of Swap Counterparty amongst other things. As at the date of the establishment of the Sub-Fund, the Ongoing Swap Costs associated with the Swaps which reference all of the Eligible Strategies and Indices are expected to be between 0.3% and 1.1% of the notional per annum, and the Swap Transaction Costs associated with those Swaps are expected to be between 0.01% and 0.25% of the notional. These Swap Costs may be higher at any time thereafter. The Swap Costs associated with the Swap which references any strategy or index added to the universe of Eligible Strategies or Indices may also be higher. The Management Company will take into account, under its policy of best executions, the costs and expenses associated with entering into a Swap when selecting the Swap Counterparty for a particular Swap.

Various costs and expenses may also be reflected in the level of each Strategy or Index ("**Strategy/Index Costs**"). Strategy/Index Costs will vary, depending, in the case of each Strategy or Index, on the costs incurred by its sponsor (whether CBNA or CGML) in administering it, as specified in its methodology. Strategy/Index Costs will, where they are applied, have the effect of reducing the level of relevant Strategy or Index, and will therefore act as a drag on the performance of the relevant Strategy or Index, and will be additional to the Swap Costs associated with the Swap which references it. CBNA or CGML may therefore have two roles in respect of a particular Strategy or Index, and the Swap which references that Strategy or Index: CBNA or CGML (as relevant) may be both the sponsor of the underlying Strategy or Index (and will therefore receive the relevant Index Costs) and the Swap Counterparty under the relevant Swap (and will therefore also receive the relevant Swap Costs even if the performance of the underlying Strategy or Index is negative).

## **Liquidity Portfolio**

The Sub-Fund may invest some or all of the net proceeds of any issue of Shares, that it does not use to make an upfront payment under a Swap, or to post collateral under a Contract (as defined below under the header "*Collateral*"), in a portfolio (the "**Liquidity Portfolio**") comprising one or more of cash deposits, government bonds, money market instruments, fixed or floating rate transferable securities (excluding asset-backed securities (ABS), collateralised debt obligations (CDOs) and collateralized loan obligations (CLOs)), and other UCITS funds, including money market funds.

The investment objective of the Liquidity Portfolio is capital preservation rather than capital appreciation. The Liquidity Portfolio will be diversified in accordance with UCITS requirements under UCI Law and the UCITS Directives, as set out in in Appendix A "*Investment Powers and Restrictions*" of this Prospectus.

The Sub-Fund may further invest up to 100% of the net proceeds of any issue of Shares, in accordance with the principle of risk spreading, in transferable securities and money market instruments issued or guaranteed by an EU Member State, its local authorities, an OECD member country, a G-20 member country, or public international bodies of

which one or more EU Member State(s) are members, provided that in such event the Sub-Fund must hold securities from at least six different issues, but securities from any one issue may not account for more than 30% of the total amount.

### **Foreign Exchange Hedging**

The Sub-Fund will enter into a separate FX Contract for each Class in respect of which it has exposure to movements in currency exchange rates (i.e. each Hedged Class of Shares) with a counterparty which satisfies the CSSF's eligibility criteria as set out in Appendix A "*Investment Powers and Restrictions*" of this Prospectus (an "**FX Counterparty**"). The FX Counterparty is selected by the Company on the advice of the Management Company from time to time, and may include CBNA or any of its affiliates. The Management Company may delegate this function to a hedging agent.

The Share Class section below specifies, for each Class, whether or not currency hedging applies. The Sub-Fund may enter into different FX Contracts to seek to hedge against changes in the values of the Hedged Classes of Shares as a result of changes in currency exchange rates between the Reference Currency and the relevant Share Class Currency.

All hedging transactions will be clearly attributable to a specific Class and therefore currency exposures of different Classes shall not be combined or offset, and currency exposures of assets of the Sub-Fund shall not be allocated to separate Classes. Each Hedged Class of Shares shall bear the costs of the hedging transactions attributable to such Class, and the Net Asset Value of each Hedged Class of Shares will reflect the costs and gains/losses of the hedging transactions attributable to such Class. The costs of the hedging transactions will include the customary fees and expenses paid to an FX Counterparty which, as stated above, may be paid to CBNA or an affiliate. Therefore, CBNA or an affiliate may receive benefits or profits either directly or indirectly in connection with these hedging transactions, regardless of whether the hedging transactions result in gains or losses.

It is expected that the extent to which such currency exposure will be hedged may from time to time be less than or more than 100% of the Net Asset Value attributable to the relevant Class, whereupon the Management Company will keep the situation under review. Over-hedged or under-hedged positions are not the intention of the Sub-Fund, but may arise due to factors outside its control.

Further details relating to the FX Contracts are set out under the headings "*Collateral*" and "*Documentation*" below.

### **Collateral**

Where applicable, the parties to the Swaps, and the FX Contracts (if any) (the "**Contracts**") (i.e. the Company on behalf of the Sub-Fund on the one hand, and each Swap Counterparty and each FX Counterparty, as relevant, respectively, on the other hand) may be required, under the terms of the relevant agreements, to provide collateral (the "**Collateral**").

Where the Company on behalf of the Sub-Fund is required to post Collateral, the costs associated with providing such Collateral will be reflected in the pricing of the relevant Contracts and will therefore ultimately impact the Net Asset Value of the Shares.

The Sub-Fund's exposure to each Swap Counterparty and each FX Counterparty will be collateralized so as to ensure that the Sub-Fund's counterparty exposure complies with the UCITS requirements as detailed in Appendix A "*Investment Powers and Restrictions*" and Appendix B "*Special Techniques and Instruments*" of this Prospectus.

The Company on behalf of the Sub-Fund will only accept Collateral that is compliant with the eligibility and diversification rules imposed on UCITS under the UCI Law and the UCITS Directive, the ESMA Guidelines 2014/937 and all applicable CSSF Circulars in accordance with the Company's collateral policy as detailed in Appendix B "*Special Techniques and Instruments*" of this Prospectus.

### **Borrowings and leverage**

In accordance with the general provisions set out under heading E "*Borrowing and Lending Powers*" in Appendix A "*Investment Powers and Restrictions*" of this Prospectus, the Company on behalf of the Sub-Fund may borrow up to 10% of the Net Asset Value of the Sub-Fund on a temporary basis.

The Sub-Fund may incur additional leverage through the use of Financial Derivative Instruments and/or through the short exposures and implicit leverage assumed by the Strategies and Indices, as described under the headings "*Investment Policy*". Leverage is calculated by reference to the sum of the notional amounts of the Financial Derivative Instruments entered into by the Company on behalf of the Sub-Fund. The amount of leverage used by the Sub-Fund will vary from time to time, according to the economic terms of the Swaps and the leverage employed by the underlying Indices and Strategies, and is expected to be no greater than 800% of the Net Asset Value of the Sub-Fund. Under certain circumstances the leverage of the Sub-Fund can be higher. The use of FX Contracts in respect of Hedged Classes of Shares may result in the leverage incurred in respect the Hedged Classes of Shares exceeding 100% of the Net Asset Value of the Hedged Classes of Shares.

The market risk and leverage of the Sub-Fund will be measured and monitored in accordance with Luxembourg laws and regulations.

Leverage may increase volatility and small movements in notional value may materially impair the value of the Sub-Fund. However, Shareholders' liability is limited to the amount they have invested in the Sub-Fund.

### **Investment restrictions**

The general investment restrictions set out under heading D "*Investment Restrictions*" in Appendix A "*Investment Powers and Restrictions*" of this Prospectus apply to the Sub-Fund.

### **Documentation**

The Swaps and the FX Contracts (if any) will each comprise an ISDA Master Agreement (including its Schedule and a Credit Support Annex) and a trade confirmation.

On or shortly prior to the issue of Shares of any Hedged Classes of Shares, a new FX Contract will be entered into by the Company on behalf of the Sub-Fund for such Class with the FX Counterparty. Separate FX Contracts will be entered into in respect of each

Hedged Class of Shares. These FX Contracts will be renewed ("rolled over") on a periodic basis.

From time to time, appropriate modifications (for example, additional confirmations) may be made in relation to redemptions and subscriptions of Shares. In addition, the Contracts will include provisions relating to their termination (including early termination).

### **Risk Management**

The Management Company will be responsible for risk management and has filed with the CSSF a risk management policy statement setting out how it intends to measure, monitor and manage the various risks associated with the Contracts it intends to enter into with one or more counterparties. The Company on behalf of the Sub-Fund will, for each Class, only enter into such contracts of the type listed in the risk management policy statement. The Portfolio Advisor has no responsibility for risk management of the Sub-Fund.

### **Measurement of the Risk Exposure**

The global exposure of the Sub-Fund will be measured and monitored in accordance with the absolute VaR ("value at risk") approach. VaR analysis is based on a statistical analysis of movements in the relevant market over a specified historical observation period of one year, in order to identify the potential losses which may occur during a specified "holding period".

The absolute VaR of the Sub-Fund determined in this way shall not exceed 20% of its Net Asset Value, and is not expected to exceed 12.5% of its Net Asset Value where such absolute VaR is determined daily on the basis of a 99% confidence interval and a holding period of one month.

### **Listing**

Application may be made to the Luxembourg Stock Exchange for the listing of Shares on the official list of, and trading on the main market of, the Luxembourg Stock Exchange.

## **Risk Factors**

In addition to the risk factors set out in section 16 "*Risk Factors*" of this Prospectus, the following risk factors must be considered.

### **General Risk Factors**

#### ***Potential Conflicts of Interest***

CGML, CBNA and their affiliates (together, "**Citi**") have various roles that may give rise to potential conflicts of interest in relation to the Sub-Fund. In addition to its roles as Global Distributor and provider of the Strategies and Indices, CGML and CBNA may act as a Swap Counterparty, and/or an FX Counterparty and may also appoint other affiliates to act as calculation agent, sub-distributor or hedging agent. Citibank Europe plc, Luxembourg Branch acts as the custodian and/or paying agent and central administration, registrar, transfer agent and domiciliary agent.

As a result of these multiple roles, where permitted by applicable law or regulation, Citi may receive remunerations, profits, fees, commission, rebates or other benefits or advantages (whether financial or otherwise) either directly or indirectly from the provision of the strategies and indices and the origination and distribution of the Sub-Fund, including, without limitation, remuneration such as rebates or trailer fees which are not quantifiable prior to or at the point of sale of the interests in the Sub-Fund. Citi may be entitled to receive such remunerations, profits, fees, commissions, rebates or other benefits or advantages (whether financial or otherwise), even in the case of a fall in the relevant Strategy or Index on in the value of the Sub-Fund. As a result, Citi may have an economic incentive to propose an investment in the Sub-Fund over any other investments that may pay lower remunerations or fees.

Citi entities will only owe the duties and responsibilities expressly agreed to by them in their relevant capacities and will not be deemed to owe other duties or responsibilities or be deemed to owe a standard of care or fiduciary duty other than as expressly provided in respect of each capacity in which they act. In particular, Citi entities owe no duties or responsibilities in relation to the Sub-Fund other than as set out in this Prospectus, including this Annex.

Citi is not acting as Management Company or investment adviser and is not responsible for managing the Sub-Fund or the assets of the Sub-Fund. Consequently, it accepts no fiduciary obligations whatsoever in this respect to any Shareholders or any other party. Citi has no liability for the management of the Sub-Fund or its assets, and makes no statements or representation (including any advice as to investment, tax, legal or accounting matters) in connection with the Sub-Fund. Citi has no responsibility for the content of this Prospectus or any offering material in respect of the Sub-Fund.

Citi and/or the Management Company may, for their own account (including for the purpose of hedging their obligations under the relevant Financial Derivative Instruments) or on behalf of their customers, trade in financial instruments, including derivatives, linked to the one or more Strategies or Indices or their constituents. These activities may result in conflicts of interest for Citi entities or the Management Company and may, directly or indirectly, affect (either positively or negatively) the performance of the Strategies, and in turn the Net Asset Value of the Shares of the relevant Class(es).



Citi and/or the Management Company may also from time to time act as trustee, administrator, registrar, manager, custodian, Management Company or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Sub-Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Company. Each will, at all times, have regard in such event to its obligations to the Company and will endeavour to ensure that such conflicts are resolved fairly.

This risk factor should be read in conjunction with the risk factor under the heading "*Potential Conflicts of Interest*" in section 16 "*Risk Factors*" of this Prospectus.

## **Risks relating to the Shares**

### ***Risk of losses***

The price of Shares can go up as well as down and investors may not realise their initial investment.

The investments and the positions held by the Sub-Fund are subject to various market risks, credit risks and operational risks, including: (i) reliability of counterparties; and (ii) operational efficiency in the actual implementation of the investment policy adopted by the Sub-Fund in order to realise such investments or take such positions.

At any time, the occurrence of any such risk is likely to generate a significant depreciation in the value of the Shares. Because of the risks embedded in the investment objective adopted by the Sub-Fund, the value of the Shares may decrease substantially and even fall to zero, at any time.

For a more detailed description of the various markets, credit and operational risk factors that may affect the value of the Shares, please refer to section 16 "*Risk Factors*" of this Prospectus.

These risks may be further increased given the limited operating history, the limited investment universe, the risks associated with the counterparty, including, but without limitation, the concentration of counterparty risk and the lack of independent verification of information used in the calculation of the Eligible Strategies and the Indices. Please refer to the "Limited Operating History", "Limited Investment Universe", "Counterparty Risk", "Concentration of Counterparty Risk", "Conflicts of Interest", "Additional Conflicts of Interests" and "Reliance on Publicly-Available Sources" sections below.

### ***Achievement of the Sub-Fund's Investment Objective***

No assurance can be given that the Sub-Fund will achieve its investment objective. There is no assurance that the investment strategy, as presented in this Annex under the headings "*Investment Objective*" and "*Investment Policy*", will lead to a positive performance in the value of the Shares. The Sub-Fund could suffer losses at a time when some financial markets experience appreciation in value.

### ***Counterparty risk***

The Company on behalf of the Sub-Fund will have exposure to the risk of a default by one or more (as relevant) Swap Counterparties (as its counterparties to one or more Swaps), one or more FX Counterparties (as its counterparties to one or more FX Contracts). When the Swap Counterparties and FX Counterparties are Citi entities, their default on a swap or FX transaction may adversely affect another Citi entity's ability to provide services to the Company.

This risk factor should be read in conjunction with the risk factor under the heading "*Investments in Derivatives*", sub-heading "*Counterparty Risk*" in Section 16.5 "*Risks relating to a Sub-Fund's Assets*" of this Prospectus.

### ***Concentration of counterparty risk***

The Sub-Fund's counterparties under the various Contracts may be one and the same entity, which may lead to a concentration of counterparty risk. Even though all Contracts will be collateralised in accordance with the applicable laws and regulations, such concentration may nevertheless affect the Sub-Fund's risk profile. Citi may be the Sub-Fund's sole counterparty, thereby making it difficult to minimize the concentration of counterparty risk which might have been possible if the Sub-Fund's counterparties consisted of a diverse pool of counter-parties.

Please refer to Appendix B under the heading F "*Collateral Policy*" for a more detailed description of the Company's collateral policy.

### ***Exchange rate risk***

The Management Company will attempt to reduce or minimize the effect on the value of the Hedged Classes of Shares of fluctuations in the exchange rate between the Reference Currency and the currency of denomination of the Hedged Classes of Shares. Any profit and loss resulting from FX hedging will be allocated only to the Hedged Class of Shares to which the specific hedge relates. Due to the foregoing, each Class may differ from each other in its overall performance.

It is expected that the extent to which the currency exposures of each Hedged Class of Shares will be hedged may from time to time be less than or more than 100% of the Net Asset Value attributable to the relevant Class, whereupon the Management Company will keep the situation under review. Over-hedged or under-hedged positions are not the intention of the Sub-Fund, but may arise due to factors outside the control of the Sub-Fund.

There is no guarantee that any FX hedging for Hedged Classes of Shares will achieve the objective of reducing the effect of exchange rate fluctuations. Investors in Shares of a Hedged Class of Shares should be aware that the hedging strategy may substantially limit them from benefitting if the relevant Share Class Currency falls in value against the Reference Currency.

### ***Early termination of the Sub-Fund***

The Sub-Fund may be terminated by the Directors in accordance with the terms of this Prospectus and the Articles of Incorporation in the event that inter alia the derivative contracts entered into in respect of the Sub-Fund are terminated early, the universe of

Eligible Strategies and Indices is no longer sufficient for the Sub-Fund to achieve its investment objective and to comply with its investment policy and/or when the investment advisory agreement between the Management Company and the Portfolio Advisor is terminated and the Management Company is unable to find a suitable portfolio advisor for replacement.

In the event of the termination of the Sub-Fund, Shareholders may not receive the full amount they have invested, depending on the performance of the Sub-Fund as at the time of such termination; Shareholders will receive the Net Asset Value at termination of the Sub-Fund. Please refer to section 6 "*Termination of a Sub-Fund and/or Class of Shares*" of this Prospectus.

### ***Costs of Collateral***

The costs associated with counterparties providing Collateral under the Contracts will be reflected in the pricing of such Contracts and will therefore ultimately impact the Net Asset Value of the Shares.

### **Risk relating to the Investment Policy**

#### ***Risks associated with the Investment Approach***

The performance of the Sub-Fund is dependent on the investment gains and the investment losses resulting from the "long" and "short" positions taken by the various Strategies and Indices the Sub-Fund has exposure to via the Swaps. The Net Asset Value of the Sub-Fund will decline as a result of a fall in the value of these positions.

The Management Company may in its sole discretion determine from time to time whether or not to act upon the non-binding recommendations of the Portfolio Advisor, which shall be limited to the Eligible Strategies and Indices only. Please refer to the "Limited Investment Universe" section below for a description of certain risks associated with having the investment universe of the Sub-Fund be limited to Eligible Strategies and Indices. The exercise of this discretion by the Management Company may lead to higher or lower returns compared to those that could have been achieved if the Management Company would have always followed such recommendations. The Portfolio Adviser's recommendations are based upon economic theory and empirical data and the best judgment of the Portfolio Advisor. There can be no assurance that these recommendations will accurately predict future market movements or adequately exploit market opportunities.

#### ***The Sub-Fund does not track any particular asset class or market***

The Sub-Fund's investment strategy is based on building an investment portfolio based on long-short exposures in various markets and various asset classes, which means that it is not expected to track the performance of any one market or asset class more generally. The Strategies and Indices may fall even in rising markets.

However, correlations between the Strategies and/or Indices mutually, and between each Strategy or Index and the market in general, contribute to the performance of the Sub-Fund. If the returns of the Strategies and/or Indices are positively correlated, the Sub-Fund may be subject to overall market directional risk. Such overall market directional risks may be further increased because the investment universe of the Sub-

Fund is limited to Strategies and Indices offered and/or sponsored by CGML and/or CBNA. Please refer to the "Limited Investment Universe" section below for a description of certain risks associated with having the investment universe of the Sub-Fund be limited to Strategies and Indices offered and/or sponsored by CGML and/or CBNA.

### ***The Strategies and Indices are based on style investing***

Each Strategy and each Index is based on a particular Style (i.e. low volatility, quality and earnings momentum). Style investing can be highly cyclical, and the relationships and performances of these styles that have been observed historically may not continue to hold in the future. The investment style on which a Strategy or Index is based is not representative of similar styles or strategies generally.

### ***Fixed algorithmic model parameters***

In common with all algorithmic strategies, each Strategy or Index uses rules-based methodologies which refer to fixed parameters. The methodologies of the Strategies and Indices have been developed on the assumption that these fixed parameters are reasonable. However, alternative parameters may give better results.

### ***Backward-looking***

The Strategies and Indices are algorithmic and based on historical information. This means that they are backward-looking and do not indicate or predict future results.

### ***Rebalancing frequency***

The Strategies and Indices are rebalanced periodically, and the effective weights of their constituents may deviate significantly between rebalancings from the weights that are applied on each rebalancing.

### ***Notional exposures***

The Strategies and Indices reflect the performance of notional positions in their constituents. There is no actual portfolio of assets to which any person is entitled or in which any person has any ownership interest. The levels of the Strategies and Indices reflect certain theoretical investment positions (i.e. values and sizes of the relevant positions) and not actual investment positions. .

### ***Notional fees and costs***

Notional fees and costs are applied to the calculation of the level of the Strategies and the Indices. These notional fees and costs will adversely affect the level of the Strategies and Indices.

### ***Limited Operating History***

The Sub-Fund and the Strategies and Indices have a limited or no operating history. Certain Strategies or Indices may not have been invested in by other investors at the time at which the Sub-Fund makes its investment.

### ***Limited Investment Universe***

The investment universe of the Sub-Fund is limited to Strategies and Indices sponsored, selected and offered by CGML and/or CBNA to the Management Company. The Sub-Fund will not have access to all of CGML and CBNA Strategies and Indices. It will also not have access to any other available investment strategies which may have different or better risk-return profile and/or allow the Sub-Fund to have a more diversified portfolio. The range of Strategies and Indices offered by CGML and CBNA may be changed at any time without prior notice to the Sub-Fund. There is no guarantee that the Strategies and Indices will permit an optimal investment allocation in all market conditions. The Sub-Fund should therefore not be seen as a substitute for an appropriately diversified investment portfolio.

### ***Disruption Events***

Following a disruption event, the calculation agent of an Eligible Strategy or an Eligible Index may postpone calculations, and/or make good faith price determinations, and/or suspend the publication of the Eligible Strategy or Eligible Index, and the index sponsor may discontinue the publication of an Index. A number of market disruption events are described in the rules governing the relevant Eligible Strategy or Eligible Index (the "**Rules**").

### ***Strategy and Index governance***

CGML or CBNA is the sponsor of each Strategy and each Index, and the calculation agent of such Strategy or Index. Please see "Additional Conflicts of Interest" section below relating to the potential conflicts of interest that may arise as a result of Citi Global Markets Limited taking on the additional role as a calculation agent.

The rules governing the Strategies and Indices confer on the sponsor and the calculation agent a degree of discretion in making certain determinations and calculations in relation to, for example, the occurrence of disruptions and extraordinary events. Although the sponsor and the calculation agent will each act in good faith and in a commercially reasonable manner, the exercise of any such discretion may have an adverse effect on the level of the relevant Strategy or Index.

The calculation agent will make all calculations, determinations, rebalancings and adjustments ("**Calculations**") in respect of a Strategy or Index. Neither the sponsor nor the calculation agent has any responsibility for good faith errors or omissions in its Calculations, as provided in the Rules. The calculation agent will make Calculations acting in its sole, absolute and unfettered discretion, but in good faith and in a commercially reasonable manner, having regard to the criteria stipulated in the Rules and (where relevant) on the basis of information provided to or obtained by its employees or officers who are responsible for making the relevant Calculation. All Calculations shall, in the absence of manifest error, be final, conclusive and binding on any user of one of the relevant Strategy or Index, including any holder of or counterparty to any investment product linked to that Strategy or Index (including a Swap).

Neither the sponsor nor the calculation agent is under any obligation to continue to calculate, publish or disseminate any of the Strategies or Indices or their levels.

Moreover, Citi's ability to perform its obligations as calculation agent of the Strategies and Indices may be disrupted in the event of Citi's insolvency or other default.

#### ***Additional Conflicts of Interest***

CGML may have potential conflicts of interest as a result of its role as sponsor and calculation agent of certain Strategies or Indices (as specified above). Citi trades in the shares underlying the Strategies and the Indices in the ordinary course of business for its own account and for other accounts under its management. These trading activities may potentially affect the value of these shares or the levels of the relevant Strategies or Indices. Citi may act as issuer, agent or underwriter for the issuance of shares, or enter into other transactions with returns linked to, or related to, changes in the levels of the relevant Strategies or Indices or their constituents, and may also enter into hedging transactions in connection with these transactions. These transactions may affect the levels of the Strategies or Indices and may generate a profit for Citi, even in the case of a fall in the relevant Strategy or Index.

#### ***Reliance on publicly-available sources***

Although the calculation agent will obtain information for inclusion in or use in the calculation of the Strategies and the Indices from sources which it considers reliable (such sources include the index calculation agent's own internally-maintained database and public sources such as Bloomberg and Reuters), the calculation agent will not publish or independently verify such information.

#### ***Risks associated with Leverage***

Leverage (which is discussed above under the heading "*Borrowings and Leverage*") will increase the potential for gain but will also increase the risk of loss. Leverage generally increases volatility and small movements in notional value of swap transactions may materially impair the value of your investment.

#### ***Trading Costs***

The trading costs associated with entering into each Swap will act as a drag on the performance of the Sub-Fund.

#### ***Disruption Events***

A transaction in any Contract that the Sub-Fund may enter into, including any Swap and any FX Contract, may be subject to disruption and may be terminated early if a market disruption event occurs or if the relevant counterparty defaults.

**This list of additional risk factors is not intended to be exhaustive. Prospective investors should seek such advice as they consider necessary from their professional advisers, investment, legal, tax or otherwise.**

### **Disclaimer**

BLACKROCK IS NOT ACTING AS INVESTMENT MANAGER, BROKER OR DISTRIBUTOR AND IS NOT RESPONSIBLE FOR MANAGING THE SUB-FUND OR THE ASSETS OF THE SUB-FUND. BLACKROCK'S ROLE AS PORTFOLIO ADVISOR IS TO ADVISE THE MANAGEMENT COMPANY ON THE ALLOCATION ACROSS ELIGIBLE STRATEGIES AND IS NOT RESPONSIBLE FOR DETERMINING THE UNIVERSE OF ELIGIBLE STRATEGIES. BLACKROCK IS NOT A FIDUCIARY TO THE SUB-FUND OR ANY INVESTORS IN THE SUB-FUND. BLACKROCK HAS NO LIABILITY FOR THE MANAGEMENT OF THE SUB-FUND OR ITS ASSETS, IS NOT RESPONSIBLE FOR COUNTERPARTY MANAGEMENT OR THE EXECUTION OF TRADES AND MAKES NO STATEMENTS OR REPRESENTATION (INCLUDING ANY ADVICE AS TO INVESTMENT, TAX, LEGAL OR ACCOUNTING MATTERS) IN CONNECTION WITH THE SUB-FUND.

THE SUB-FUND IS NOT SPONSORED, ENDORSED, SOLD OR PROMOTED BY BLACKROCK OR ITS AFFILIATES. NEITHER BLACKROCK NOR ITS AFFILIATES MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, TO THE INVESTORS OR ANY MEMBER OF THE PUBLIC REGARDING THE ADVISABILITY OR SUITABILITY OF INVESTING IN THE SUB-FUND GENERALLY OR IN UNDERLYINGS IN THE SUB-FUND. NEITHER BLACKROCK NOR ITS AFFILIATES ARE RESPONSIBLE FOR AND HAS NOT PARTICIPATED IN THE DETERMINATION OF THE PRICES OF THE SUB-FUND OR THE TIMING OF THE ISSUANCE OR SALE OF THE SUB-FUND.

## **Fees and Expenses**

### **General**

The following fees and expenses will be incurred by the Company on behalf of the Sub-Fund and will affect the Net Asset Value per Share of each Class issued in respect of the Sub-Fund. This section headed "*Fees and Expenses*" should be read in conjunction with section 21 "*Company Charges*" of this Prospectus.

### **Management Fee**

The Management Fee in respect of each Class is used to cover the fees of the Management Company, the Portfolio Advisor and the Global Distributor as specified in the "*Share Class Section*" of this Annex.

The Management Fee in respect of each Class will accrue on each Business Day, and will be calculated on each Business Day with reference to the Net Asset Value of such Class on the immediately preceding Business Day. The Management Fee will be deducted from the prevailing Net Asset Value of each Share of each Class, and will be paid on the final Business Day of each calendar month in arrears.

The Management Fee will be used to make payments to the the Portfolio Advisor and the Global Distributor.

### **Other Costs and Expenses**

The Company on behalf of the Sub-Fund will pay in respect of each Class up to 0.20% per annum of the Net Asset Value of such Class in Other Costs and Expenses.

For the avoidance of doubt, the Other Costs and Expenses will not be included in the Management Fee described above, and the Other Costs and Expenses will not include the Subscription Commission and the Swap Cost, each as described above, and will be charged in addition to these.

### **Subscription Commission**

The Subscription Commission in respect of each Class is specified in the Share Class section of this Annex.

The Subscription Commission will be added to the amount payable on a subscription for Shares of the relevant Class and will not affect the Net Asset Value of such Class.

The Subscription Commission will be retained by the relevant Distributor (other than the Global Distributor).



## **General Information Relating to the Sub-Fund**

### **Business Day**

Any day:

1. on which commercial banks are open for the full day for business and settle payments (including dealings in foreign exchange and foreign currency deposits) in Luxembourg, London, Tokyo, and New York (excluding, for the avoidance of doubt, 24 December and 31 December of each year); and
2. on which the Trans-European Automated Real-time Gross settlement Express Transfer system 2 (TARGET 2) is open; and
3. which is a trading day on the Chicago Board Options Exchange.

The Board of Directors may determine, in its reasonable discretion, any further specifications of the above definition of Business Day so as to accommodate for the addition of further Strategies and Indices to the list of Eligible Strategies and Indices. In case the Board makes use of this possibility, the investors will promptly be informed thereof and this Annex will be updated accordingly.

### **Dealing Day**

Any Business Day.

### **Valuation Day**

Any Dealing Day.

### **Sub-Fund Subscription Deadline**

### **Sub-Fund Conversion Deadline**

### **Sub-Fund Redemption Deadline**

9.30 a.m. (Luxembourg time) on the Business Day immediately preceding the relevant Dealing Day. The Directors may elect to extend this deadline to 12.00 noon (Luxembourg time) in their sole and absolute discretion (any such extended deadline would apply to all investors).

### **Settlement Date**

In the case of subscriptions, up to three Business Days after the relevant Dealing Day, assuming the receipt prior to the Sub-Fund Subscription Deadline for such Dealing Day of the relevant signed subscription application and the availability of cleared funds, each as confirmed by the Administrator.

In the case of redemptions, up to five Business Days after the relevant Dealing Day, assuming the receipt prior to the Sub-Fund Redemption Deadline for such Dealing Day of the relevant signed redemption request, as confirmed by the Administrator.

**Dilution Levy**

As described in this Prospectus under section 26 “Dilution Levy”, the Directors may adjust, in the case of large net subscriptions, the Net Asset Value per Share by adding or, in the case of large net redemptions, the Redemption Price by deducting, a Dilution Levy of up to 2% of the Net Asset Value.

**Distribution Policy**

The Board of Directors may declare dividends for certain Classes as specified in the Share Class Section (and each such Class shall be distribution Class).

**Minimum Sub-Fund Size**

USD 50,000,000 (or the equivalent in such other relevant currency) or such other amount as the Directors may determine from time to time in their sole and absolute discretion.

**Reference Currency**

USD (US Dollar).

**Management Company**

Assenagon Asset Management S.A.

**Portfolio Advisor**

BlackRock Financial Management, Inc.

**Custodian and Paying Agent**

Citibank Europe plc, Luxembourg Branch

**Swap Counterparty**

An entity or entities (including, without limitation, CGML (\*) or any of its affiliates) to be selected by the Company on the advice of the Management Company in its role as Management Company.

The Shareholders may obtain information about the selected entity or entities from the Company by contacting it at the registered office shown in section 1 "*Organization of the Company*" of this Prospectus.

**FX Counterparty**

An entity or entities to be selected by the Company on the advice of the Management Company in its role as Management Company.

The Shareholders may obtain information about the selected entity or entities from the Company by contacting it at the address shown in Section 1 "*Organization of the Company*" of this Prospectus.

(\*) CGML is an affiliate of the Custodian Citibank Europe plc, Luxembourg Branch.

### Share Class Section

|  |                    |   |                    |          |                    |
|--|--------------------|---|--------------------|----------|--------------------|
| Share Class:                           |                    | Class C   | Class I            | Class CD | Class ID           |
| Reference Currency                     |                    | USD   |                    |          |                    |
| Denomination                           |                    | USD, AUD, EUR, GBP, JPY   |                    |          |                    |
| Hedged Classes of Shares:              |                    | All Share Classes except those denominated in USD   |                    |          |                    |
| Restrictions on the type of Investors: |                    | N/A   | Institutional only | N/A      | Institutional only |
| Distribution                           |                    | No  | No                 | Yes      | Yes                |
| Initial Issue Price:                   |                    |   |                    |          |                    |
|  | USD, AUD, EUR, GBP | 100   | 100                | 100      | 100                |
|  | JPY                | 10,000  | 10,000             | 10,000   | 10,000             |
| Initial Issue Date:                    |                    | 16 November 2015 (or any other date as may be determined by the Board of Directors in its discretion) |                    |          |                    |
| Subscription Commission:               |                    | Up to 5%  | N/A                | Up to 5% | N/A                |
| Repurchase Charge:                     |                    | N/A   | N/A                | N/A      | N/A                |
| Minimum Initial Investment Amount:     |                    | 100,000   | 1,000,000          | 100,000  | 1,000,000          |
| Minimum Additional Investment Amount:  |                    | 10,000  | 100,000            | 10,000   | 100,000            |
| Minimum Repurchase Amount:             |                    | 10,000  | 100,000            | 10,000   | 100,000            |

|                           |   |   |   |   |
|---------------------------|---|---|---|---|
| Minimum Shareholding:     | 100,000   | 1,000,000   | 100,000   | 1,000,000   |
| Minimum Share Class Size: | 5,000,000   | 5,000,000   | 5,000,000   | 5,000,000   |
| Management Fee:           | 1.15%   | 0.75%   | 1.15%   | 0.75%   |
| Other Costs and Expenses: | Max 0.20%   | Max 0.20%   | Max 0.20%   | Max 0.20%   |
| SEDOL Code:               | -   | -   | -   | -   |
| ISIN Code:                | USD<br>LU12803<br>08328<br><br>AUD<br>LU12803<br>08591<br><br>EUR<br>LU12803<br>08674<br><br>GBP<br>LU12803<br>08757<br><br>JPY<br>LU12803<br>08831 | USD<br>LU12803<br>08914<br><br>AUD<br>LU12803<br>09052<br><br>EUR<br>LU12803<br>09136<br><br>GBP<br>LU12803<br>09219<br><br>JPY<br>LU12803<br>09300 | USD<br>LU12803<br>09482<br><br>AUD<br>LU12803<br>09565<br><br>EUR<br>LU12803<br>09649<br><br>GBP<br>LU12803<br>09722<br><br>JPY<br>LU12803<br>09995 | USD<br>LU12803<br>10068<br><br>AUD<br>LU12803<br>10142<br><br>EUR<br>LU12803<br>10225<br><br>GBP<br>LU12803<br>10498<br><br>JPY<br>LU12803<br>10571 |