

## Key investor information

*This document provides you with key investor information about this Fund. It is not marketing material. The information is required by law to help you understand the nature and the risks of investing in this Fund. You are advised to read it so you can make an informed decision about whether to invest.*

### MARGIN OF SAFETY FUND - Fund 1, a compartment of MARGIN OF SAFETY FUND

Class P (Accumulation) LU0152377916

This SICAV is managed by PASTEL & ASSOCIÉS

### Objectives and investment policy

The objective of the Fund (the "Feeder Fund") is to maximise investor returns while preserving capital over the long term. The Feeder Fund invests at least 85% of its assets in units of the fund Valeur Intrinsèque (the "Master Fund"). The Feeder Fund may hold up to 15% of its assets in ancillary liquid assets, derivatives, which may be used only for hedging purposes, and movable and immovable property, which is essential for the direct pursuit of its business.

For readability and information purposes only, the performance of the Feeder Fund can be compared a posteriori with the index MSCI World dividends reinvested in USD.

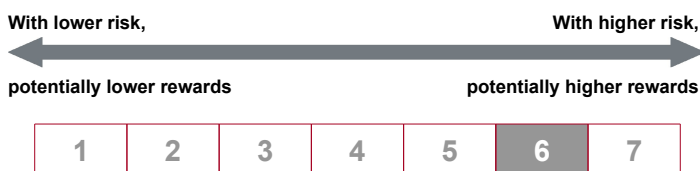
The equity portfolio of the Master Fund consists of no more than 35 positions in stocks issued by listed companies in France, Europe and North America following a systematic and rigorous selection process. This process is implemented without reliance upon the research teams of financial intermediaries and independently from market fads. The equity exposure of the Master Fund ranges from 60% to 100% and corresponds to stocks of European and North American companies traded on regulated markets. No less than 80% of the Master Fund's net assets will be invested in companies whose market capitalization is greater than EUR 500 million at the time of investment. The Master Fund's exposure, at the time of investment, to small capitalization stocks is therefore limited to 20% of its net assets. The Master Fund's exposure to debt securities and money market instruments may represent up to 40% of its net assets.

The gross returns of the Feeder Fund will be very similar to those of the Master Fund.

Income generated by the Feeder Fund is reinvested and included in the value of the shares. Investors can buy or sell shares of the Feeder Fund every Thursday before 16:30 pm (Bank Business Days in Luxembourg and in France). Payment shall be made within 2 Bank Business Days following that day. In case of a non Bank Business Day in the United States of America, the payment of redeemed shares will be one day delayed.

Recommendation: this Feeder Fund may not be appropriate for investors who plan to withdraw their money within 5 years.

### Risk and reward profile



This indicator represents the annual historical volatility of the Feeder Fund over a 5-year period.

Historical data used to calculate this indicator may not be a reliable indication of the future risk profile of the Feeder Fund.

The risk category of this Feeder Fund is not guaranteed and may change over time.

The lowest category does not mean the investment is risk-free.

The Feeder Fund's exposure to equity markets explains its classification in this category.

The Feeder Fund's risk classification reflects mainly Equity risk, Concentration risk, Currency risk and the risk linked to smaller companies.

The Feeder Fund's capital is not guaranteed.

Significant risk(s) for the Feeder Fund not taken into account in this indicator include the following:

**Counterparty risk:** The Feeder Fund may suffer losses if a counterparty defaults and is unable to meet its contractual obligations.

## Charges

The charges and commissions are used to cover the Feeder Fund's operating costs, including marketing and distribution of shares. These charges reduce the potential growth of your investment.

One-off charges taken before or after you invest	
<b>Entry charge</b>	5.00%
<b>Exit charge</b>	None
The percentage shown is the maximum amount that can be paid out of your investment. Your financial advisor or distributor can inform you of the associated entry and exit charges.	
Charges taken from the Master and Feeder Fund over a year	
<b>Ongoing charges</b>	2.04%
Charges taken from the Feeder Fund under specific conditions	
<b>Performance fee</b>	No performance fees for the Feeder Fund's last financial year.
20% of any net increase in the Net Asset Value per share exceeding 12% on the reference period.	

The entry and exit charges shown are maximum rates. In certain cases, the charges paid may be lower.

Ongoing charges are based on the charges for the previous year, ending on 31 December 2017. This percentage may vary from year to year. It excludes outperformance charges and intermediation charges, with the exception of entry and exit charges paid by the Feeder Fund when it buys or sells shares of another Fund.

**For more information about Master and Feeder Fund charges, please refer to the relevant sections of the prospectus, which is available at [www.pastel.fr](http://www.pastel.fr).**

## Past performance

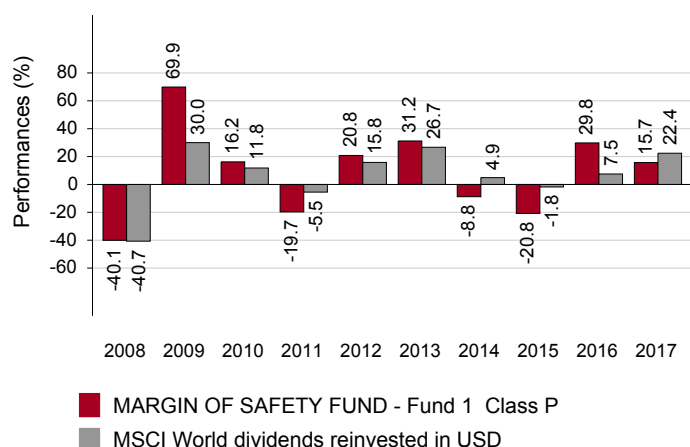
The performance figures shown in the bar chart are not a reliable indication of future performance.

Annualised performance is calculated after deducting all charges taken from the Feeder Fund.

Feeder Fund creation date: 2 February 1998

Share class launch date: 2 February 1998

Base currency: US Dollar.



## Practical information

Depository: CACEIS Bank, Luxembourg Branch

The latest prospectus, the latest key investor information, and the latest periodic regulatory information of the Master and Feeder Funds, as well as all other practical information are available (in English and/or French), free of charge, from PASTEL & ASSOCIES, 17, rue de Miromesnil, 75008 Paris, France.

This Feeder Fund consists of compartments, its latest consolidated annual reports are also available from the Management Company.

The Feeder Fund proposes other share classes for the categories of investors defined in its prospectus.

The Feeder Fund's net asset value is available on request from the Management Company and on its website : [www.pastel.fr](http://www.pastel.fr).

The details of the Management Company's remuneration policy are available on the following website [www.pastel.fr](http://www.pastel.fr). A paper copy of the remuneration policy will be made available free of charge to the investors of the Fund upon request to the Management Company.

The fact that the Master and Feeder Funds are not of the same legal jurisdiction may have an impact on the tax treatment of the any gains and income linked to the shareholding in the Feeder Fund.

Depending on your tax regime, any capital gains and income arising from the ownership of shares in the Feeder Fund may be subject to taxation. We advise you to consult your financial advisor for more information on taxation.

PASTEL & ASSOCIES may only be held liable solely on the basis of any statement contained in this document that is misleading, inaccurate or inconsistent with the sections of the Feeder Fund's prospectus.

The Feeder Fund is authorised in Luxembourg and is supervised by the Commission de Surveillance du Secteur Financier (CSSF).

PASTEL & ASSOCIES is authorised in France and supervised by the Autorité des Marchés Financiers (AMF).

This key investor information is accurate as at 19 January 2018.

# MARGIN OF SAFETY FUND

*Société d'investissement  
à capital variable  
5, Allée Scheffer  
L-2520 Luxembourg*

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## **PROSPECTUS**

**January 2018**

Distribution of this Prospectus is not authorised unless it is accompanied by a copy of the latest available annual report of MARGIN OF SAFETY FUND (the "Fund") containing the audited balance-sheet and a copy of the latest half-yearly report, if published after such annual report. These documents, as well as all other documents concerning the Fund and available to general public, can be obtained (free of charge) from CACEIS Bank, Luxembourg Branch, 5 Allée Scheffer, L-2520 Luxembourg.

# MARGIN OF SAFETY FUND

*Société d'investissement  
à capital variable  
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## INTRODUCTION

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MARGIN OF SAFETY FUND (the "Fund") is an investment company qualifying as a "société d'investissement à capital variable" (SICAV) with multiple Sub-Funds under the laws of the Grand Duchy of Luxembourg, which envisages to invest in transferable securities, conforming to the investment policy of each particular Sub-Fund.

The Fund is registered under the December 17, 2010 law on collective investment undertakings (the "Law"). This registration pursuant to the Law does not require any Luxembourg authority to approve or disapprove either the adequacy of this prospectus (hereinafter referred as the "Prospectus") or the portfolio of securities held by the Fund. Any representation to the contrary is unauthorised and unlawful.

This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not allowed. In particular, the shares of the Fund have not been registered conforming to the legislation on transferable securities of the United States of America and may therefore not be offered in the United States of America or in any state, territory or possession thereof or areas subject to its jurisdiction.

No person is authorised to give any information which is not contained in this Prospectus or the documents mentioned therein and which are available for consultation by the general public. The Directors of the Fund (hereinafter referred as the "Board of Directors") are held responsible for all information set out in this Prospectus at the time of its publication.

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

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

The attention of investors is drawn to the fact that an investment in the Fund is made subject to certain restrictions and/or conditions that they need to meet/ demonstrate in order to be able to subscribe and/ or continue to hold Shares in the Fund. Potential investors are invited in particular to refer to sections 11 of the Prospectus for the relevant references to the FATCA Rules, which are the regulations relating to Information Reporting by Foreign Financial Institutions and Other Foreign Entities released by the IRS on 28th January 2013 (the "FATCA Rules"), all subsequently published FATCA announcements and as the case may be, the provisions of the intergovernmental agreement (IGA) entered between Luxembourg and the United States and/or between the country of each investor and the US.

Any reference to "USD", "YEN" and "EUR" in this Prospectus refers to the lawful currencies of the United States of America, Japan and the Member States of the European Union who adopt the Euro.

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

**Potential subscribers should note that the structure of the Prospectus is such that it distinguishes the part made up of Chapters 2 to 20, on the one hand, and Chapter 1, on the other hand. The Chapters 2 to 20 contain the regulations to which the Fund as a whole, and each of its Sub-Funds are subjected, whereas Chapter 1 contains the regulations applicable to each individual Sub-Fund in addition or in derogation to the general regulations.**

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## 1. AVAILABLE SUB-FUNDS

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Unless otherwise indicated in the following paragraphs, each Sub-Fund of the Fund is subject to the general regulations as set out in the Chapters 2 and following of this Prospectus.

<b>Sub-Fund 1: MARGIN OF SAFETY FUND – Fund 1</b>  <b>(A feeder of “Valeur Intrinsèque” Class M)</b>	
<b>Investment policy and objectives</b>	<p>The Sub-Fund is a feeder sub-fund of the Fund VALEUR INTRINSEQUE (the “Master Fund”) and will invest at least 85% of its assets in units of this Master Fund.</p> <p>The Sub-Fund may hold up to 15% of its assets in one or more of the following:</p> <ul style="list-style-type: none"><li>• Ancillary liquid assets</li><li>• Financial derivative instruments, which may be used only for hedging purposes,</li><li>• Movable and immovable property which is essential for the direct pursuit of its business.</li></ul> <p>The Feeder Sub-Fund will invest its assets solely in the class M of the Master Fund.</p> <p>Warning: investors must be aware that usual risk of capital loss cannot be completely avoided.</p> <p>The value of the portfolio of the Sub-Fund is calculated weekly on the basis of the market value of the individual equities held by the Sub-Fund, which are, for the majority of them, of satisfactory market liquidity.</p> <p>Investments in the Sub-Fund are subject to capital market developments and to stock markets fluctuations. Investors may incur, under some certain adverse circumstances, sustainable and significant monetary losses.</p> <p>Only experienced investors who can sustain significant losses of principal should invest in the Sub-Fund. Investors in the Sub-Fund should be able to afford to set aside capital for at least 5 years. The Sub-Fund is designed with the investment objective of building up capital.</p> <p><b>Reference index :</b></p> <p>The adoption of a full discretionary management based on the selection of a limited number of securities from merely fundamental criterias makes any comparison with a reference indicator ineffective.</p> <p>However, for readability and information purposes only, the performance of the Feeder Sub-Fund can be compared a posteriori with the index MSCI World dividends reinvested in USD.</p> <p>This index is representative of international stock markets, the calculation includes stock dividends of the aforementioned.</p> <p>The reference index of the Feeder Sub-Fund will differ from the one of the Master Fund, due to the valuation currency and the specific hedging policy of the foreign currency transaction risk.</p>

**SECURITIES FINANCING TRANSACTIONS AND TOTAL RETURN SWAPS**

**Securities Financing Transaction** (i) a repurchase transaction; (ii) securities lending and securities borrowing; (iii) a buy-sell back transaction or a sell-buy back transaction; (iv) a margin lending transaction as defined under the SFTR

**SFTR** Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012

**TRS** total return swap, i.e., a derivative contract as defined in point (7) of Article 2 of Regulation (EU) No 648/2012 in which one counterparty transfers the total economic performance, including income from interest and fees, gains and losses from price movements, and credit losses, of a reference obligation to another counterparty.

The Fund is not authorised to enter into any securities financing transaction as defined in the SFTR or total return swaps or other financial derivative instruments with similar characteristics. Should the Fund decide to enter into this type of operations in the future, the prospectus would be updated in accordance with the relevant regulations and CSSF Circulars in force.

## The Master Fund

VALEUR INTRINSEQUE is a French undertaking for collective investment in transferable securities, qualifying as a fonds commun de placement (mutual fund), under French law and organised as a single fund.

The Master Fund was created on 6 June 2001 for a 99 years duration, and is denominated in Euro.

The Financial year of the Master Fund ends on the last Paris Stock Exchange Day of December.

- Management Company:

**Pastel & Associés**, a “Société Anonyme” registered as “Société de gestion de portefeuille” under the French Law and supervised by the Autorité des Marchés Financiers (“AMF”), and with registered office at 17, rue de Miromesnil, F-75008 Paris

Pastel & Associés has also been appointed as management company of Margin of Safety Fund.

- Depositary, entity in charge of centralising the subscription and redemption orders, and entity in charge of the holding of the register of units :

**CACEIS Bank**, credit institution licenced with the Autorité de contrôle prudentiel et de résolution (“ACPR”), Société Anonyme with registered office in 1-3, place Valhubert – 75013 Paris.

- Centralizing agent:

Pastel & Associés  
17, rue de Miromesnil  
75008 Paris

The list is not exhaustive, as the Master Fund is admitted on EUROCLEAR France. Thus its units can be subscribed and redeemed with financial intermediaries which are not appointed or known by the Management Company.

- Delegated administrative and accounting agent:

**CACEIS Bank**, credit institution licenced with the ACPR, Société Anonyme with registered office in 1-3, place Valhubert – 75013 Paris.

- Commissaire aux comptes:

### **PricewaterhouseCoopers Audit**

63, rue de Villiers  
92208 Neuilly Sur Seine  
Signatory : Patrick SELLAM

**The Feeder Sub-Fund and the Master Fund are both managed by the same Management Company. As a result, and in accordance with the article 79 (1) paragraph 3, internal business rules of conduct have been implemented, in order to ensure the compliance of both funds with the provisions of the Law of 2010 as well as with the relevant CSSF Regulation 10-5, as amended.**

The latest annual and semi-annual reports are available within a week upon request, emanating from a unitholder to Pastel & Associés / 17, rue de Miromesnil – 75008 Paris – Tel: +33 (1) 58 36 24 00.  
e-mail: [contact@pastel.fr](mailto:contact@pastel.fr)

These documents are also available on the website [www.pastel.fr](http://www.pastel.fr)

Additional information may be obtained from Pastel & Associés / 17, rue de Miromesnil 75008 Paris – Tel: +33 (1) 58 36 24 00.



**Investment policy and objectives of the Master Fund**

▶ **Investment objective :**

The Master Fund aims to provide capital appreciation over an investment horizon of five years through the discretionary management of a portfolio primarily invested in international equities.

The Master Fund does not offer guaranteed returns to investors.

▶ **Benchmark :**

As the Master Fund applies a discretionary management approach, involving the selection of a limited number of stocks based purely on their own merits, the use of a benchmark would be counterproductive.

Nevertheless, for information purposes and in order to provide a clearer perception of the Master Fund's returns, its ex post long-term performance may be compared with that of the MSCI World Index in euros, with net dividends reinvested.

The MSCI World Index with net dividends reinvested is designed to measure the performance of global equity developed markets. This index's calculation includes the dividends of its component stocks.

▶ **Investment strategy**

*1. Strategies employed*

The Master Fund's investment strategy is not constrained in any way by a benchmark. Index weightings are therefore not taken into account, whether in relation to industry sectors or geographic regions.

Investors should note that distinct currency hedging strategies may be employed for each of the Master Fund's classes of units.

Exposure strategies for foreign exchange risk relating to each of the Master Fund's classes of units are described in the section entitled "Description of derivatives used to achieve the investment objective".

With a view to achieving its investment objective, the Master Fund, following a systematic and rigorous selection process, invests primarily in listed French, European and North American companies as well as, on an ancillary basis, listed companies from other OECD member countries. This process values independent thinking without reliance upon the conclusions of research teams employed by financial intermediaries and is oblivious to market fads.

The methodology implemented gives priority to microeconomics and company fundamentals.

Stocks included in the Master Fund's "investable universe" (comprised of about one hundred companies) generally meet the following quantitative and qualitative eligibility criteria:

- Proven track record of satisfactory performance reflected in high levels of return on capital employed, return on equity, operating margins, and free cash flow;
- Sustainable competitive advantages supported in particular by an easily understood business model and organization;
- Identified and relatively minor conflicts of interest, particularly those between majority shareholders, minority shareholders, executives and employees.

Owing to the eligibility criteria employed, the selected companies usually are those having demonstrated an above-average historical profitability level and offering quantitatively and qualitatively high margins of safety.

An intrinsic value is generally determined for each company in the investable universe, on the basis of discounted future free cash flows. In other cases, the intrinsic value can be estimated on the basis of past performance of the company's earnings or of its adjusted net book value. The decision to buy or sell a company's shares is made uniquely by comparing this calculated intrinsic value to the current market price.

The equity portion of the portfolio is invested in no more than 35 positions at any one time. This high degree of concentration may cause the Master Fund's net asset value to decline or increase significantly over short periods. This short-term volatility experienced by the portfolio is not considered as relevant in relation to the Master Fund's long-term investment objective. Only the micro-economic factors having contributed to the selection of the various portfolio positions are regularly monitored and assessed.

## ***2. Asset categories used (apart from embedded derivatives)***

### Equities

The equity exposure of the Master Fund's portfolio ranges from 60% to 100% and corresponds to shares of European and North American companies and, on an ancillary basis, of companies from other OECD member countries, traded on regulated markets selected by way of the process described in the "Investment strategy" section above. The Master Fund may invest across all industry sectors and in companies of any size. Market capitalization is not among the pre-determined eligibility criteria used to select these companies, although it should be noted that no less than 80% of the Master Fund's net assets will be invested in companies whose market capitalization is greater than €500 million at the time of investment. The Master Fund's exposure, at the time of investment, to small cap stocks is therefore limited to 20% of its net assets.

### Bonds, debt securities and money market instruments

In the absence of sufficient opportunities for investment in equities, the Master Fund may hold treasury bills with a maturity of less than one year issued by governments of European Community countries having been assigned a rating between AAA and AA (according to Standard & Poor's or Fitch or deemed equivalent by the Management Company) or between Aaa and Aa (according to Moody's or deemed equivalent by the Management Company), and on a secondary basis may hold instruments of issuers having been assigned a lower rating, but which may not be lower than BBB or equivalent.

However the Management Company shall not rely exclusively on the ratings provided by the credit rating agencies; it performs its own assessment when deciding to invest or disinvest.

The Master Fund's exposure to this category of instruments may represent up to 40% of its net assets.

The Master Fund may hold up to 10% of its net assets in bonds from OECD countries issued by sovereign states and/or bonds issued by companies from the private sector of any size and any economic sector. The issuers or the securities can be rated or not by rating agencies. The high yield securities or "speculative" grade or deemed equivalent by the management company are thus included in the investment scope of the Master Fund.

Units or shares of UCITS, AIF or foreign investment funds :

The Master Fund may hold up to 10% of its net assets in shares or units of UCITS, AIF and foreign investment funds.

French UCITS\*

European UCITS\*

French AIF\* - retail investment funds opened to professional investors

French AIF\* - professional investment funds not benefiting from the waiver provided in article R.214-192 V of the French Monetary and Financial Code.

European AIF\* authorized as UCIs and compliant with article R. 214-13 of the French Monetary and Financial Code

Foreign investment funds (outside Europe) compliant with article R 214-13 of the French Monetary and Financial Code

*\*These UCITS and AIF will not hold more than 10% of their net assets in other UCITS, AIF and other foreign investment funds*

*\*These UCITS, AIF and foreign investment funds may be managed by the Management Company*

**3. Deposits, cash and cash equivalents, and cash borrowings**

To assist in achieving its investment objective, the Master Fund may make use of deposits and borrowings, particularly in order to ensure the most efficient management of the Fund's cash flows and deal with the differing value dates of subscription and redemption orders for underlying UCITS.

- Deposits: The Master Fund reserves the option to make use of deposits for up to 100% of its net assets, with a limit of 20% to be deposited with any single bank. These deposits may not be made for more than one year.
- Liquid assets: The Master Fund may hold ancillary liquid assets;
- Cash borrowings: Although the Master Fund does not borrow cash for investment purposes, it may enter into cash borrowing arrangements on a short-term basis in an amount not to exceed 10% of its net assets.

**4. Repurchase and reverse repurchase agreements; lending and borrowing of securities**

For cash management purposes and on a secondary basis, the Fund may enter into repurchase or reverse repurchase agreements and/or may engage in securities lending or borrowing in order to optimize its income.

Income arising from these transactions is included in the assets of the Master Fund.

The collateral received by the Master Fund takes the form of a full ownership transfer. The collateral may only be :

- invested in deposits
- invested in investment grade sovereign bonds
- used in a repurchased agreement
- invested in short term monetary investment funds

<p><b>Shares</b></p>	<p>This Sub-Fund will issue two Classes of Shares: Class I and Class P.</p> <p>All Classes, I and P, may be issued as accumulation shares or distribution shares at the investor's discretion.</p> <p>The Sub-Fund offers investors the choice of holding shares in either registered or bearer form.</p> <ul style="list-style-type: none"> <li>• The registered shares will be issued in non-certificated shares. Ownership of non-certificated shares is evidenced solely by an entry in the Fund's share register. For each subscription, redemption, and where applicable, conversion of registered shares, the Fund will address to the shareholder a written confirmation of the transaction.</li> <li>• The bearer shares will not be recorded in the Fund's share register. Investors who wish to hold bearer shares should apply through a bank or financial institution in order that such shares may be held to their order within Clearstream or Euroclear Clearing system. The Sub-Fund will not issue bearer share certificate but Clearstream and/or Euroclear will hold a global share certificate.</li> </ul> <p>If the amount subscribed does not correspond to a specific number of Shares, the appropriate number of Shares - including any fraction of Share calculated to four decimal places - will be issued.</p>
<p><b>Pricing method of the Master Fund</b></p>	<p>Units or shares of the Master Fund will be valued at their last determined and available net asset value.</p>
<p><b>Valuation currency, denomination currency and Valuation Day</b></p>	<p>The valuation currency of this Sub-Fund will be the USD.</p> <p>The NAV per share of Class I will be denominated in USD and in EUR. The NAV per share of Class P will be denominated in USD and in EUR.</p> <p>The Valuation Day of this Sub-Fund will be every Friday, or the Bank Business Day in Luxembourg and in France before, where Friday is a bank holiday in Luxembourg and/or in France.</p>
<p><b>Valuation currency, denomination currency and Valuation Day of the Master Fund</b></p>	<p>The valuation currency of the Master Fund is the EUR.</p> <p>The Feeder Sub-Fund will invest its assets solely in the class M of the Master Fund, denominated in EUR.</p> <p>The Valuation Day of the Master Fund is every Business Day during which the Euronext markets are opened, with the exception of the French public holidays.</p>
<p><b>Performance</b></p>	<p>Please be advised that the performance information is held in the Key Investor Information Document.</p> <p>For the accuracy of the aforementioned data or for any further information, please refer to the Sicav's Audited Annual Report which is available free of charge at the registered office of the Sicav, 5 Allée Scheffer, L - 2520 Luxembourg.</p>

<p><b>Subscriptions, Conversions &amp; Redemptions</b></p>	<p>Class I: The initial subscription period of Class I has taken place between 14 August, 2002 and 16 August, 2002, with payment by no later than 21 August, 2002.</p> <p>Shares have been issued at the initial price of USD 1,500 and its equivalent in EUR plus subscription fee, as described below. Any subsequent subscription will be made at a price corresponding to the Net Asset Value per share plus the applicable subscription fee, and in accordance with the minimum subscription amounts as described below.</p> <p>Class I: The minimum subscription amount is USD 15,000 for the Class I shares denominated in USD, and EUR 15,000 for the Class I shares denominated in EUR.</p> <p>Class P: Class P shares can be subscribed or redeemed as from 16th August, 2002 on the basis of the NAV. The Fund's assets were exclusively represented by Class P shares at the time the Fund's head office was transferred to Luxembourg.</p> <p>Class P: The minimum subscription amount is USD 1,500, and EUR 1,500 for the Class P shares denominated in EUR.</p>
<p><b>Risk Profile</b></p>	<p>The value of the portfolio of the Sub-Fund is calculated weekly on the basis of the market value of the individual equities held by the Sub-Fund, which are, for the majority of them, of satisfactory market liquidity.</p> <p>Investments in the Sub-Fund are subject to capital market developments and stock markets fluctuations. Investors may incur, under some certain adverse circumstances, sustainable and significant monetary losses. Investors must be aware that usual risk of capital loss cannot be avoided.</p> <p>Please refer to the full prospectus (pages 4, 9 and 12) for a detailed description of the risk factors associated to investments in the Sub-Fund.</p>
<p><b>Risk profile of the Master Fund</b></p>	<p>Your capital will be invested essentially in financial instruments selected by the management company. These instruments will be affected by market trends and fluctuations.</p> <p>The Master Fund invests primarily in international equities.</p> <p>Please refer to the prospectus of the Master Fund for a detailed description of the risk factors.</p>
<p><b>Profile of typical investor</b></p>	<p>Only experienced investors who can sustain significant losses of principal should invest in the Sub-Fund. The minimum recommended holding period for an investment in the Fund is 5 years. The Fund's main objective is to build up capital over time.</p>

<p><b>Profile of typical investor of the Master Fund</b></p>	<p>The Master Fund is open to all individual and institutional investors. Prior to making their investment decision, investors should consider the risks summarized in the prospectus of the Master Fund. The Master Fund meets the eligibility criteria for unit-linked life insurance products.</p> <ul style="list-style-type: none"> <li>• Class I units (1) are particularly intended for institutional investors.</li> <li>• Class P units (2) are particularly intended for individual investors.</li> <li>• Class M units (3) are reserved for the feeder funds managed by Pastel &amp; Associés, the Management Company and for Pastel &amp; Associés' staff and Directors and staff member-control companies.</li> </ul> <p>The risk profile of the Master Fund is suited to investors who are looking to make a long-term investment in a fund invested primarily in companies listed on international stock exchanges and who thus are interested in exposure to global equity markets.</p> <p>The amount considered reasonable to invest in the Master Fund depends on the investor's personal circumstances. To make this determination, investors must take into account their personal assets and liquidity needs as well as their level of risk tolerance and whether this favors high- or low-risk investments. Investors are also strongly advised to sufficiently diversify their investments so that they are not exposed uniquely to the risks of this Master Fund.</p> <p>The recommended minimum investment horizon is five years.</p>
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<p><b>Fees and expenses</b></p>	<p><b>Subscription fee:</b></p> <p>Class I: subscription of Shares is subject to a subscription fee of up to 5% of the initial price, respectively the applicable Net Asset Value per Share, this fee being paid to the Management Company or the placing agent.</p> <p>Class P: subscription of Shares is subject to a subscription fee of up to 5% of the applicable Net Asset Value per Share, this fee being paid to the Management Company or the placing agent.</p> <p><b>Conversion fee:</b></p> <p>Where conversion are allowed, no conversion fees will be levied</p> <p><b>Redemption fee:</b></p> <p>Class I: No redemption fees will be levied. Class P: No redemption fees will be levied.</p> <p><b>Management Company fee :</b></p> <p>Class I: the Sub-Fund shall pay to the Management Company a management fee, payable quarterly, at an annual rate of maximum 0.80% calculated on the Class's quarterly average Net Asset Value.</p> <p>Class P: the Sub-Fund shall pay to the Management Company a management fee, payable quarterly, at an annual rate of maximum 1.80% calculated on the Class's quarterly average Net Asset Value.</p> <p><b>Performance fee:</b></p> <p>The Sub-Fund shall pay to the Management Company an annual performance fee of up to 20% of any net increase in the Net Asset Value per share of Class I shares and Class P shares from 1<sup>st</sup> January to 31<sup>st</sup> December of each year (the Reference Period) exceeding 12% (the Reference Performance). The performance fee will be due as from the last Valuation Day in December.</p> <p>The performance fee is calculated and accrued on each Valuation Day. The performance fee is calculated as a time weighted total return, which ensures that appropriate adjustments are made in order to accommodate the inflows and outflows of capital during the course of each fiscal year resulting from subscriptions and redemptions. For example, in the hypothetical situation that there are no subscriptions or redemptions in any period of multiple fiscal years (n=number of years) no performance fee will be payable unless at the end of such notional period the Net Asset value before determination of any incentive fee exceeds the Net Asset Value at the commencement of the period multiplied by <math>(1+12\%)^n</math>. Therefore, this calculation method takes into account past underperformance during one or several Reference Periods for the determination of the performance fee due in subsequent Reference Periods.</p> <p>When a redemption occurs during the Reference Period, the portion of the performance fee related to the shares being redeemed becomes due to the Management Company at the time of the redemption.</p> <p>The performance fee of Class I shares denominated in EUR will be based on net increases in the Net Asset Value per share of Class I shares denominated in USD.</p> <p>The performance fee of Class P shares denominated in EUR will be based on net increases in the Net Asset Value per share of Class P shares denominated in USD.</p>
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<p><b>Fees and expenses of the Master Fund</b></p>	<p>Subscription and redemption fee :</p> <p>The Master fund is not authorised to charge subscription or redemption fees for the investment of the feeder sub-fund into its units of the divestment thereof.</p> <p>The fees charged to the Fund cover:</p> <ul style="list-style-type: none"> <li>• Management fees</li> <li>• External management fees (auditor, depositary, lawyers)</li> <li>• Maximum indirect management fees (commissions and management fees)</li> <li>• Turnover fees</li> </ul> <table border="1" data-bbox="507 555 1372 1245"> <thead> <tr> <th data-bbox="507 555 794 680">Fees charged to the Fund</th> <th data-bbox="794 555 967 680">Base</th> <th data-bbox="967 555 1372 680">Rates Scale for Class M</th> </tr> </thead> <tbody> <tr> <td data-bbox="507 680 794 896">Internal and external management fees (auditors, depositary bank, distributors, attorneys) charged by the management company</td> <td data-bbox="794 680 967 896">Net assets</td> <td data-bbox="967 680 1372 896">Maximum of 0.15% per year, all taxes included</td> </tr> <tr> <td data-bbox="507 896 794 1048">Service providers authorized to collect turnover commissions:  Depositary bank</td> <td data-bbox="794 896 967 1048">Levied on each transaction</td> <td data-bbox="967 896 1372 1048">Scale of charges: - €17.94 for transactions relating to French stocks - €32.29 for transactions relating to foreign stocks</td> </tr> <tr> <td data-bbox="507 1048 794 1214">Performance commission</td> <td data-bbox="794 1048 967 1214">Net assets</td> <td data-bbox="967 1048 1372 1214">None</td> </tr> <tr> <td data-bbox="507 1214 794 1245"></td> <td data-bbox="794 1214 967 1245"></td> <td data-bbox="967 1214 1372 1245"></td> </tr> </tbody> </table> <p>The exceptional legal costs related to the recovery of claims may be out of scope of the above table.</p> <p>No turnover commission is paid to the Management Company.</p>	Fees charged to the Fund	Base	Rates Scale for Class M	Internal and external management fees (auditors, depositary bank, distributors, attorneys) charged by the management company	Net assets	Maximum of 0.15% per year, all taxes included	Service providers authorized to collect turnover commissions:  Depositary bank	Levied on each transaction	Scale of charges: - €17.94 for transactions relating to French stocks - €32.29 for transactions relating to foreign stocks	Performance commission	Net assets	None			
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<p><b>Global exposure determination methodology</b></p>	<p><b>In accordance with CSSF Circular 11/512, the Fund uses a risk-management process which enables to monitor and measure at all times the risks associated with its investments and their contribution to the overall risk profile of the investment portfolio.</b></p> <p><b>The Sub-Fund uses the commitment approach to monitor and measure the global exposure.</b></p> <p><b>This approach measures the global exposure related solely to positions on financial derivative instruments under consideration of netting and hedging.</b></p> <p><b>The Sub-Funds' total commitment to financial derivative instruments, limited to 100% of the portfolio's total net value, is quantified as the sum, as an absolute value, of the individual commitments, after consideration of the possible effects of netting and hedging.</b></p>															



## 2. MANAGEMENT OF THE FUND

### BOARD OF DIRECTORS

***David Pastel***

Pastel & Associés S.A., *CEO*  
17, rue de Miromesnil  
F-75008 Paris

***Yves-Pascal Pelcener***

Pastel & Associés S.A., *Member of the Board*  
17, rue de Miromesnil  
F-75008 Paris

***John Mills***

Maitland & Co. Sarl, *Managing Director*  
6 rue Adolphe Fischer  
L-1520 Luxembourg

### MANAGEMENT COMPANY

**Pastel & Associés**

17, rue de Mirosmesnil  
75008 Paris

### DEPOSITARY AND DOMICILIARY AGENT

**CACEIS BANK, LUXEMBOURG BRANCH**

5, allée Scheffer  
L-2520 Luxembourg

### AUDITOR OF THE FUND

**KPMG LUXEMBOURG, SOCIÉTÉ COOPÉRATIVE**

39, Avenue John F. Kennedy  
L-1855 Luxembourg

### CENTRAL ADMINISTRATION

**CACEIS BANK, LUXEMBOURG BRANCH**

5, allée Scheffer  
L-2520 Luxembourg

### REGISTERED OFFICE OF THE FUND

5, allée Scheffer  
L-2520 Luxembourg  
Luxembourg

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

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MARGIN OF SAFETY FUND (the "Fund") is a "société anonyme" with the status of a "société d'investissement à capital variable" under the Luxembourg law of December 17, 2010 on Collective Investment Undertakings (the "Law") and under the law of August 10, 1915 on Commercial Companies. The Fund is incorporated with limited liability and an unlimited duration. The Fund is submitted to Part I of the Law.

The Fund was incorporated under the name "Margin of Safety Fund Limited" with limited liability on January 19, 1998 in the British Virgin Islands as an open-ended investment company. The decision to transfer the Fund's head office to the Grand Duchy of Luxembourg was taken by way of a resolution of the Board of Directors dated 15 May, 2002, and the Fund was transformed into a Luxembourg "société d'investissement à capital variable" by way of an Extraordinary General Meeting held on 14 August, 2002.

The amended articles of association (hereinafter referred as the "Articles of Association") have been published in the *Recueil électronique des sociétés et associations* (the "RESA") on 9th September, 2002. The Articles of Association as well as the legal notice concerning the issue of the Fund's shares have been deposited with the Registrar of the Luxembourg District Court. These documents are available for review and copies can be obtained on payment of applicable charges. The Fund is registered at the Luxembourg Register of Commerce under the number B 88 649. The registered office of the Fund is established at 5, Allée Scheffer, L-2520 Luxembourg. The Articles of Association have been modified on March 28, 2013 and published in the RESA on April 5, 2013.

The Fund is organised as an "Umbrella Fund". An "Umbrella Fund" is one single entity comprising several Sub-Funds. Each Sub-Fund constitutes a separate portfolio of assets (invested in accordance with the particular investment features applicable to this Sub-Fund) and liabilities.

Pursuant to the article 181 of the Law, the Fund constitutes a single legal entity. Notwithstanding the article 2093 of the Luxembourg civil code, the assets of one Sub-Fund are only responsible for all debts, engagements and obligations attributable to this Sub-Fund. In this regard, if the Fund incurs a liability, which relates to a particular Sub-Fund, the creditor's recourse with respect to such liability shall be limited solely to the assets of the relevant Sub-Fund.

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

Moreover, and under the conditions set forth in Luxembourg laws and regulations, the Board of Directors may, at any time it deems appropriate, create new Sub-Funds qualifying either as feeder ("Feeder Sub-Fund") or as master ("Master Sub-Fund"), and as provided for in the respective Sub-Fund's factsheet in chapter 1 of the present prospectus.

The capital of the Fund, expressed in USD, is at all times equal to the total of net assets of the different Sub-Funds and is represented by the issued Shares, without designation of the nominal value and fully paid up. Variations in the capital of the Fund can take place without further consideration or enquiry and without the need for publication or registration in the Register of Commerce. The minimum capital required is EUR 1.250.000 or its equivalent in any other currency. This minimum has to be reached within a time frame of six months after the registration of the Fund on the official list of undertakings for collective investment.

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### 4. DISTRIBUTION POLICY

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The Board of Directors may decide to issue classes and/or sub-classes of Shares (hereinafter referred as the Class and/or Category) of any type within each Sub-Fund, at the option of the Shareholders. The description of such Class or Category will be provided for in Chapter I of the present Prospectus.

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

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

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

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## 5. INVESTMENT MANAGEMENT OF THE FUND

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The Board of Directors of the Fund is responsible for the management of the Fund.

In accordance with applicable laws and regulations and with the prior consent of the Board of Directors, the Management Company is empowered to delegate, under its supervision and control, the management of the Fund or of any Sub-Fund to one or several Investment Manager(s). It is understood that the Prospectus shall be amended accordingly in such a case.

For the performance of its duties, the Investment Manager may decide, under its full responsibility and costs, to be assisted by one or several other investment adviser(s).

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## 6. THE MANAGEMENT COMPANY

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Pastel&Associés, a company incorporated as a société anonyme with a share capital of EUR 643.155, having its registered office at 17, rue de Miromesnil, F-75008 Paris, and registered as “Société de gestion de portefeuille” under the French Law and supervised by the “Autorité des Marchés Financiers”, has been authorised by the CSSF to render the services of collective portfolio management of UCITS Funds subject to the Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), as amended by means of Directive 2014/91/EU (the “UCITS Directive”).

Pastel & Associés has consequently been appointed to serve as management company to the Fund in accordance with the provisions of the Law of 2010.

Pastel & Associés SA was incorporated in January 1998 for a 99 years duration.

The Board of Directors of the Management Company is composed as follows:

### **Chairman**

David Pastel, CEO of the Management Company

### **Managing Director**

Claudia Pommier, Managing Director of the Management Company

### **Members**

Antonio Perez, Special Risks Manager at Marsh SA

Yves-Pascal Pelcener, CEO of Executive Transform International

The auditor of the Management Company is RSM Paris, 26, rue Cambacérès 75008 Paris (France).

The Management Company is according to an agreement dated February 21, 2013 between the Management Company and the Fund appointed to serve as the Fund’s designated management company. The Management Company shall in particular be responsible for the following duties:

- Portfolio management of the Sub-funds;
- Central administration, including *inter alia*, the calculation of the Net Asset Value, the registrar and transfer agency services and the general administration of the Fund;
- Distribution of the Shares of the Fund;

The rights and duties of the Management Company are governed by the UCITS Directive and the said agreement entered into for an unlimited period of time. This agreement may be terminated by either party upon three months' prior written notice.

In accordance with applicable laws and regulations and with the prior consent of the Board of Directors, the Management Company is empowered to delegate, under its supervision and control, all or part of its duties and powers to any person or entity, which it may consider appropriate. It being understood that the Prospectus shall the case being be amended accordingly.

For the time being the duties of central administration and distribution have been delegated by the Management Company as further detailed here-below.

### **Remuneration Policy**

Pastel & Associés has set up a remuneration policy (the "Remuneration Policy") which complies with the AIFM and UCITS V directives, as well as with the ESMA guidelines. This Remuneration Policy is meant to define the remuneration principles applicable inside the Management Company.

The Remuneration Policy includes in its fundamental principles that the interests of the investors, of the staff and of Pastel & Associés should be aligned, and applies to every employee of Pastel & Associés.

The remuneration of the Management Company co-workers consists of a base salary equivalent or superior to the "market level" and of a variable part composed of a discretionary portion depending on the company's results and prospects as well as the co-worker's personal results, and of a totally discretionary portion taking into account the co-worker's qualitative performance.

Information on the general principles of the Remuneration Policy will be provided annually to the members of the Board of Directors of Pastel & Associés and to the entire staff.

The Remuneration Policy of Pastel & Associés aims to promote a sound and efficient risk management by not encouraging its co-workers to take risk that would be inconsistent with the interests of the Management Company's clients.

The specifics of the Remuneration Policy of Pastel & Associés are available on the website [www.pastel.fr](http://www.pastel.fr)

A hard copy of the Remuneration Policy will be provided to the investors for free within 8 working days upon written request sent to the Management Company's address:

Pastel & Associés  
17 rue de Miromesnil  
75008 Paris

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## **7. DEPOSITARY AND CENTRAL ADMINISTRATION**

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CACEIS Bank, Luxembourg Branch, established at 5, allée Scheffer, L-2520 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 209.310 is acting as depositary of the Fund (the "Depositary") in accordance with a depositary agreement dated 27 October 2016 as amended from time to time (the "Depositary Agreement") and the relevant provisions of the Law and the set of rules formed by the UCITS Directive, the UCI Act, the UCITS Regulations, CSSF Circular 16/644 and any derived or connected EU or national act, statute, regulation, circular or binding guidelines (the "UCITS Rules").

CACEIS Bank, Luxembourg Branch is acting as a branch of CACEIS Bank, a public limited liability company (société anonyme) incorporated under the laws of France, having its registered office located at 1-3, place Valhubert, 75013 Paris, France, registered with the French Register of Trade and Companies under number 692 024 722 RCS Paris.

CACEIS Bank is an authorised credit institution supervised by the European Central Bank ("ECB") and the ACPR. It is further authorised to exercise through its Luxembourg branch banking and central administration activities in Luxembourg.

Shareholders may consult upon request at the registered office of the Fund, the Depositary Agreement to have a better understanding and knowledge of the limited duties and liabilities of the Depositary.

The Depositary has been entrusted with the custody and/or, as the case may be, recordkeeping and ownership verification of the Compartments' assets, and it shall fulfil the obligations and duties provided for by Part I of the Law. In particular, the Depositary shall ensure an effective and proper monitoring of the Fund' cash flows.

In due compliance with the UCITS Rules the Depositary shall:

- (i) ensure that the sale, issue, re-purchase, redemption and cancellation of Shares of the Fund are carried out in accordance with the applicable national law and the UCITS Rules or the Articles of Association;
- (ii) ensure that the value of the Shares is calculated in accordance with the UCITS Rules, the Articles of Association and the procedures laid down in the UCITS Directive;
- (iii) carry out the instructions of the Fund, unless they conflict with the UCITS Rules, or the Articles of Association;
- (iv) ensure that in transactions involving the Fund's assets any consideration is remitted to the Fund within the usual time limits; and
- (v) ensure that an Fund's income is applied in accordance with the UCITS Rules and the Articles of Association.

The Depositary may not delegate any of the obligations and duties set out in (i) to (v) of this clause.

In compliance with the provisions of the UCITS Directive, the Depositary may, under certain conditions, entrust part or all of the assets which are placed under its custody and/or recordkeeping to correspondents or third party custodians as appointed from time to time. The Depositary's liability shall not be affected by any such delegation, unless otherwise specified, but only within the limits as permitted by the Law.

A list of these correspondents/third party custodians are available on the website of the Depositary ([www.caceis.com](http://www.caceis.com), section "veille réglementaire"). Such list may be updated from time to time. A complete list of all correspondents/third party custodians may be obtained, free of charge and upon request, from the Depositary. Up-to-date information regarding the identity of the Depositary, the description of its duties and of conflicts of interest that may arise, the safekeeping functions delegated by the Depositary and any conflicts of interest that may arise from such a delegation are also made available to investors on the website of the Depositary, as mentioned above, and upon request. There are many situations in which a conflict of interest may arise, notably when the Depositary delegates its safekeeping functions or when the Depositary also performs other tasks on behalf of the Fund, such as administrative agency and registrar agency services. These situations and the conflicts of interest thereto related have been identified by the Depositary. In order to protect the Fund's and its Shareholders' interests and comply with applicable regulations, a policy and procedures designed to prevent situations of conflicts of interest and monitor them when they arise have been set in place within the Depositary, aiming namely at:

- (a) identifying and analysing potential situations of conflicts of interest;
- (b) recording, managing and monitoring the conflict of interest situations either in:
  - relying on the permanent measures in place to address conflicts of interest such as maintaining separate legal entities, segregation of duties, separation of reporting lines, insider lists for staff members; or
  - implementing a case-by-case management to (i) take the appropriate preventive measures such as drawing up a new watch list, implementing a new Chinese wall, making sure that operations are carried out at arm's length and/or informing the concerned Shareholders of the Fund, or (ii) refuse to carry out the activity giving rise to the conflict of interest.

The Depositary has established a functional, hierarchical and/or contractual separation between the performance of its UCITS depositary functions and the performance of other tasks on behalf of the Fund, notably, administrative agency and registrar agency services.

The Fund and the Depositary may terminate the Depositary Agreement at any time by giving ninety (90) days' notice in writing. The Fund may, however, dismiss the Depositary only if a new depositary bank is appointed within two months to take over the functions and responsibilities of the Depositary. After its dismissal, the Depositary must continue to

carry out its functions and responsibilities until such time as the entire assets of the Sub-Funds have been transferred to the new depositary bank.

The Depositary has no decision-making discretion nor any advice duty relating to the Fund's investments. The Depositary is a service provider to the Fund and is not responsible for the preparation of this Prospectus and therefore accepts no responsibility for the accuracy of any information contained in this Prospectus or the validity of the structure and investments of the Fund.

Under the same agreement, the Fund has appointed CACEIS Bank, Luxembourg Branch as its Paying Agent to, administer the payment of dividends (if any) to the Shareholders.

In addition, under a domiciliation agreement dated 27 October 2016 the Fund has appointed CACEIS Bank, Luxembourg Branch as its Domiciliary Agent to, administer the maintenance of records and other related administrative functions.

Under a central administration agreement dated February 21, 2013, as amended, the Management Company has appointed with the prior consent of the Board of Directors, CACEIS Bank, Luxembourg Branch as Administrator, Registrar and Transfer Agent to, respectively, administer the computation of the Net Asset Value per Share of the Sub-Funds and perform other general administrative functions, and to register and administer the issue, conversion and redemption of Shares.

CACEIS Bank, Luxembourg Branch is empowered to delegate, under its full responsibility, all or part of its duties as central administrator to a third Luxembourg entity, with the prior consent of the Board of Directors and the Management Company.

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## 8. SHARES

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As indicated *supra*, the Board of Directors is entitled to create as many Sub-Funds as deemed necessary, according to criteria that said Board of Directors determines. Within each Sub-Fund, the Board of Directors is entitled to create different Classes and/or Categories that may be characterised by their distribution policy, their reference currency, their fee level, and or by any other feature to be determined by the Board of Directors. Information regarding any such creation/modification will be formalised by way of an addendum to the present Prospectus

Shares of each Sub-Fund, Class and/or Category may be issued in the registered and/or bearer form(s). The nominal value of bearer certificates will be decided by the Board of Directors. The register of shareholders is held in Luxembourg by CACEIS Bank, Luxembourg Branch.

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

The Directors of the Fund may also accept subscriptions by means of an existing portfolio, as provided for in the law of August 10, 1915 as amended, subject to the fact that the securities of that portfolio comply with the investment objectives and restrictions of the Fund and that those securities are quoted on an official stock exchange or traded on a market which is operating regularly, recognised and open to the public, or any other market offering comparable guarantees. Such a portfolio must be easy to evaluate. A valuation report, the cost of which is to be borne by the relevant investor, will be drawn up by the auditor of the Fund according to article 26-1(2) of the Law of August 10, 1915 and will be deposited with the Court.

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## 9. NET ASSET VALUE

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The Net Asset Value of each Sub-Fund is equal to the total assets of that Sub-Fund less its liabilities. The Net Asset Value will be computed under the Board of Director's liability. The Net Asset Value per Share of each Sub-Fund will be determined at least twice monthly, and at such closer frequency specified for each Sub-Fund in Chapter 1 (Valuation Day).

The Net Asset Value of each Sub-Fund shall be expressed in the currency of the relevant Sub-Fund (except that when there exists any state of affairs which, in the opinion of the Board of Directors, makes the determination in the currency of the relevant Sub-Fund either not reasonably practical or prejudicial to the shareholders, the Net Asset Value may temporarily be determined in such other currency as the Board of Directors may determine) as a per Share figure and shall be determined in respect of any Valuation Day by dividing the net assets of the Fund corresponding to each Sub-Fund (being the value of the assets of the Fund corresponding to such Sub-Fund less the liabilities attributable to such Sub-Fund) by the number of shares of the relevant Sub-Fund then outstanding.

The percentages of the total Net Asset Value allocated to each Class and Category within one Sub-Fund shall be determined by the ratio of Shares issued in each Class and Category within one Sub-Fund to the total number of Shares issued in the same Sub-Fund, and shall be adjusted subsequently in connection with the distribution effected and the issues, conversions and redemptions of Shares as follows: (1) on each occasion when a distribution is effected, the Net Asset Value of the Shares which received a dividend shall be reduced by the amount of the distribution (causing a reduction in the percentage of the Net Asset Value allocated to these Shares), whereas the Net Asset Value of the other Shares of the same Sub-Fund shall remain unchanged (causing an increase in the percentage of the Net Asset Value allocated to these Shares); (2) on each occasion when Shares are issued, converted or redeemed the Net Asset Value of the respective Classes or Categories within the relevant Sub-Fund shall be increased or decreased by the amount received or paid out.

Without prejudice to what has been stated hereabove, when the Board of Directors has decided for a specific Sub-Fund to issue several Classes and/or Categories of Shares, the Board of Directors may also decide to compute the Net Asset Value per Share of a Class and/or Category as follows: on each Valuation Day the assets and liabilities of the considered Sub-Fund are valued in the reference currency of the Sub-Fund. The Classes and/or Categories participate in the Sub-Fund's assets in proportion to their respective numbers of portfolio entitlements. Portfolio entitlements are allocated to or deducted from a particular Class and/or Category on the basis of issues or repurchases of Shares of each Class and/or Category, and shall be adjusted subsequently with the distribution effected as well as with the issues, conversions and/or redemptions. The value of the total number or portfolio entitlements attributed to a particular Class and/or Category on the given Valuation Day represents the total Net Asset Value attributable to that Class and/or Category on that Valuation Day. The Net Asset Value per Share of that Class and/or Category equals to the total Net Asset Value on that day divided by the total number of Shares of that Class and/or Category then outstanding.

Without prejudice to the regulations of each Sub-Fund, the net asset valuation of the different Sub-Funds shall be performed as follows:

I. The assets of each Sub-Fund are deemed to include (1) all cash in hand or receivable or on deposit, including accrued interest; (2) all bills and notes payable on demand and any amounts due to the relevant Sub-Fund (including the proceeds of securities sold but not yet collected); (3) all securities, shares, bonds, debentures, options or subscription rights and any other investments and securities belonging to the Fund; (4) all dividends and distributions due to the Fund in cash or in kind to the extent known to the Fund, (5) all accrued interest on any interest bearing securities held by the Fund except to the extent that such interest is comprised in the principal thereof; (6) the preliminary expenses of the Fund as far as the same have not been written off; and (7) all other permitted assets of any kind and nature including prepaid expenses.

The value of these assets shall be determined as follows: (a) the value of any cash in hand or on deposit, discount notes, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received, shall be deemed 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 shall be arrived at after making such discount as the Board of Directors may consider appropriate in such case to reflect the true value thereof; (b) the value of all portfolio securities which are listed on an official stock exchange or traded on any other regulated market which operates regularly and is recognised and opened to the public, will be valued at the last available price open to the public in Luxembourg, on the relevant Valuation Day or, if this security is traded on several markets, on the last price quoted on the principal market on which such security is traded, as furnished by a pricing service approved by the Board of Directors. If such prices are not representative of the fair value, such securities as well as other permitted assets, will be valued at a fair value at which it is expected that they may be resold, as determined in good faith by and under the direction of the Board of Directors. The value of securities which are not quoted or dealt in on any regulated market will be valued at the last available price, unless such price is not representative of their true value; in this case, they will be valued at a fair value at which it is expected that they may be resold, as determined in good faith by and under the direction of the Board of Directors. The values expressed in a currency other than that used in the calculation of the Net Asset Value of a Sub-Fund will be converted at representative exchange rates ruling on the Valuation Day.

II. The liabilities of the Fund shall be deemed to include: (1) all borrowings, bills and other amounts due; (2) all known liabilities, due or not yet due including all matured contractual obligations for payments of money or property, including the amount of all dividends declared by the Fund for which no coupons have been presented and which therefore remain unpaid until the day these dividends revert to the Fund by prescription; (3) all reserves authorised and approved by the

Board of Directors; especially those set aside to face a potential depreciation of the Fund's investments; (4) any other liabilities of the Fund of whatever kind towards third parties.

For the purposes of valuation of its other liabilities, the Fund may duly take into account the following type of costs: fees and expenses relating to remuneration of the Management Company, the custodian and its correspondents, the central administration agent, paying agent fees and fees payable to the Fund's permanent representatives in countries where registration fees are due, legal fees, audit fees, promotion fees, printing and publication fees of sales documents and periodical financial reports, costs relating to general meetings of Shareholders or of the Board of Directors, travel expenses for administrators and directors in a reasonable amount, directors fees, expenses related to the Fund's agents or employees, registration fees and all taxes paid to governmental or stock-exchange authorities, publication costs in relation with the issue and redemption of shares, Other expenses such as financial, bank or broker expenses charged for the selling or buying of assets, and other administrative expenses.

The property, commitments, fees and expenses that are not attributed to a certain Sub-Fund will be ascribed equally to the different Sub-Funds or, where practicable, will be prorated according to the Net Asset Value of each Sub-Fund.

III. Shares to be redeemed are considered as issued and existing Shares until the closing of the corresponding Valuation Day. The redemption price will be considered from the closing of the Valuation Day and until final payment as one of the Fund's liabilities. Without prejudice to what is provided for in the Chapter "Issue of shares and procedures of subscription and payment", each Share to be issued by the Fund following a subscription request will be considered as an issued Share from the closing of the relevant Valuation Day. Its price will be considered as owed to the Fund until its final payment.

IV. As far as possible, all investments and disinvestments decided upon until the Valuation Day will be included in the Net Asset Valuation.

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## **10. SUSPENSION OF THE CALCULATION OF THE NET ASSET VALUE AND ISSUE, CONVERSION AND REDEMPTION OF SHARES**

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The Fund may temporarily suspend the determination of the Net Asset Value of one or more Sub-Funds and the issue, conversion and redemption of the Shares (a) during any period when any market or stock exchange, which is the principal market or stock exchange on which a material part of the investments attributable to such Sub-Fund are quoted, is closed (otherwise than for ordinary holidays) or during which dealings are restricted or suspended; or, (b) if the political, economical, military, monetary or social situation, or, if any force majeure event, independent from the Fund's power and will, renders the disposal of assets impracticable by reasonable and normal means, without interfering with the shareholders' rights; or, (c) during any breakdown in the means of communication normally employed in determining the price or value of any of the investments attributable to such Sub-Fund or the current price or values on any stock exchange or regulated market; or, (d) if foreign exchange or capital movement restrictions make the Fund's transactions impossible, or if it is impossible for the Fund to sell or buy at normal exchange rates; or, (e) where a General Meeting of Shareholders, deciding on the winding up of the Fund, has been called, or upon the decision of the Board of Directors informing the shareholders of the decision of the Board of Directors to terminate Sub-Funds or to merge Sub-Funds; or (f) during any period when the net asset value of the Master Fund of a Feeder Sub-Fund is suspended.

Any such suspension shall be notified to the existing shareholders by mail or by way of publication in one Luxembourg daily newspaper and any other newspaper deemed appropriate by the Board of Directors. The shareholders requesting redemption or conversion of their Shares will also be notified by mail on the day following their request. Pending subscription, redemption and conversion requests can be withdrawn after written notification as long as these notifications reach the Fund before the end of the suspension. The requests which have not been withdrawn will be considered on the first Valuation Day following the end of the suspension. Valuation Day refers to the definition in Chapter 9, above.

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

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Unless otherwise stated in Chapter 1, the Board of Directors is authorised without limitation to allot and issue Shares of any Sub-Fund, any Class and any Category. The Board of Directors is also authorised to fix a minimum subscription level for each Sub-Fund. Such minimum subscription level is determined for each Sub-Fund in Chapter 1.

### Initial subscription

The initial offering period and its conditions are specified for each Sub-Fund in Chapter 1, "Available Sub-Funds".



### Subsequent subscription

After the closing of the initial offering period, Shares will be issued at a price corresponding to the Net Asset Value per Share, plus a possible subscription fee based on the net asset value per share.

### Procedures

Duly completed and signed subscription forms received by the Fund no later than 16:30 Luxembourg time the day before the Valuation Day will, if accepted, be dealt with on the basis of the relevant Net Asset Value established at such Valuation Day. Requests received after these date and time will take effect on the following Valuation Day. Payment must be made within 2 Bank Business Days of the Valuation Day. Investors must note that the Fund reserves the right to postpone the attribution of the shares subscribed where there is no certainty that payment will reach the Depositary by due date. Shares will therefore be allotted only after receipt of the subscription request together with cleared money or a document evidencing irrevocable payment within 2 Bank Business Days of the Valuation Day. In case of payment by cheque, Shares will be allotted only after confirmation of the cheque's clearance.

Pursuant to international rules and Luxembourg laws and regulations comprising, but not limited to, the Law of 12 November 2004 on the fight against money laundering and financing of terrorism, as amended, CSSF Regulation 12-02 and circulars of the supervising authority, obligations have been imposed on all professionals of the financial sector to prevent the use of undertakings for collective investment for money laundering and financing of terrorism purposes. As a result of such provisions, the registrar agent of a Luxembourg undertaking for collective investment must in principle ascertain the identity of the subscriber as well as potentially of **any beneficial owner** in accordance with Luxembourg laws and regulations. The registrar agent may require subscribers to provide any document it deems necessary to effect such identification.

Namely, the requests for subscription must be accompanied, in the case of individuals, by a certified copy of the investor's passport or identification card and, in the case of legal entities, by a certified copy of the investor's articles of incorporation and, where applicable, an extract from the commercial register or a copy of such other documents as may be requested as verification of the identity and address of the individual or legal entity.

More generally the Fund and its registrar agent shall be able to require any documentation from subscriber that it deems necessary in order to comply with any law and regulations applicable to the Fund, and in particular, the FATCA Rules.

This identification procedure must be complied with by CACEIS Bank, Luxembourg Branch, acting as registrar and transfer agent (or the relevant competent agent of registrar and transfer agent) in the case of direct subscriptions to the Fund, and in the case of subscriptions received by the Fund from any intermediary resident in a country that does not impose on such intermediary an obligation to identify investors equivalent to that required under AML Regulations. Investors are requested to communicate forthwith any change in their situation that will prove the information previously submitted to be no longer valid or sufficient, and shall provide the necessary additional information.

In case of delay or failure by a subscriber to provide the documents required, the application for subscription (or, if applicable, for conversion or for redemption) will not be accepted. In the case of a failure to provide the documents and information requested in the context of ensuring compliance of the Fund with FATCA Rules, the Fund may also be entitled to force the redemption of the Shares. Neither the undertakings for collective investment nor the registrar agent have any liability for delays or failure to process deals as a result of the subscriber providing no or only incomplete documentation.

Professionals of the financial sector domiciled in a FATF member state are subject to an identification obligation equivalent to that required under Luxembourg law for the prevention of money-laundering.

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

Shareholders' attention is drawn to the fact that they may only subscribe into Sub-Funds Classes and Categories in respect of which they meet the definition.

### Pluriannual investment plan

In addition to the single payment subscription's procedure described above (hereinafter referred as "Single Payment subscription"), investors may also subscribe a Pluriannual Investment Plan (hereinafter referred to as "Plan").

Subscriptions performed by way of a Plan may be subjected to other conditions than Single Payment subscriptions, provided these conditions are not less favourable or more restrictive for the Fund. The Board of Directors may notably decide:

- whether the subscriber may decide the number of payments as well as their frequencies and amounts;

- that the amount of subscription may be inferior to the minimum amount of subscription applicable to Single Payment subscriptions, as referred to in Chapter on “available Sub-Funds”;
- that in addition to the subscription fee applicable to Single Payment subscriptions, as referred to in Chapter on “available Sub-Funds”, other exceptional fees may be charged to the subscriber of Plan in favour of the authorised bank or sales agent who has placed the Plan;

Terms and conditions of Plans offered to the subscribers are fully described in separate leaflets offered to subscribers in countries, if any, where a Plan is available. This Prospectus is attached to such leaflets, or such leaflets describe how a Prospectus can be obtained. Terms and conditions of Plans do not interfere with the right of any subscriber to redeem their Unit(s) as defined in Chapter 13. “Redemption of Shares”.

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## 12. CONVERSION OF SHARES

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Shares of all Sub-Funds, Classes and Categories may be converted into Shares of another Sub-Fund, another Class or another Category at a price equal to the respective Net Asset Values per Share of the Sub-Funds concerned. The Board of Directors is authorised to set a minimum conversion level for each Sub-Fund, said minimum being mentioned for each Sub-Fund in Chapter 1.

Any requests for conversion if received by the Fund in Luxembourg no later than 16:30 Luxembourg time the day before the Valuation Day will be executed against the Net Asset Value per Share for the Sub-Fund, Class and Category concerned as determined on that Valuation Day after deduction, if applicable, of the conversion fee as specified in Chapter 1. Requests received after these date and time will take effect on the following Valuation Day.

The shareholder can request such a conversion of Shares by way of letter, telex, or fax to the Fund, indicating the number, the Sub-Fund, the Class and the Category to be converted, and the Sub-Fund, the Class and the Category that will receive the assets. Without prejudice to the regulations of Chapter 10, the application must be irrevocable and must be accompanied, if applicable, by a correctly filled transfer form or by all other document proving this transfer.

Shareholders’ attention is drawn to the fact that they may only convert to Sub-Funds, Classes and Categories in respect of which they meet the definition.

**Warning:** “Margin of Safety Fund – Fund 1” is currently the only launched Sub-Fund. As referred in Chapter 1, “Margin of Safety Fund – Fund 1” shareholder is not entitled to request the conversion from any class to another one unless such shareholder has been allowed to do so by the Board of Directors. Therefore, the present Chapter applies currently exclusively to conversion from accumulation share to distribution shares or from distribution shares to accumulation share of the same Class, or to other conversions pre-approved by the Board of Directors that will decide in compliance with the equality of treatment among shareholders principle.

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## 13. REDEMPTION OF SHARES

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

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

Any requests for redemption if received by the Fund in Luxembourg no later than 16:30 Luxembourg time the day before the Valuation Day will be executed against the Net Asset Value per Share for the Sub-Fund, the Class and Category concerned as determined on that Valuation Day after deduction, if applicable, of the redemption fee as specified in Chapter 1. Requests received after these date and time will take effect on the following Valuation Day.

The payment of redeemed Shares will take place within 2 Bank Business Days following the Valuation Day, on condition that all the relevant documents have been received at the Fund's address in time. In case of a non Bank Business day in the United States of America, the payment of redeemed shares will be one day delayed.

Payment will take place in the currency of the Sub-Fund (and where applicable the Class and/or the Category), unless otherwise instructed in the request for redemption. In the latter case, currency exchange charges will be borne by the Shareholder.

The redemption price may be higher or lower than the price paid by the Shareholder at the time of subscription, depending on the appreciation or the depreciation of the assets' value.

With a view of protecting the interests of all Shareholders, the Board of Directors will be entitled at its discretion to limit the number of Shares redeemed on any Valuation Day to ten per cent (10%) of the total number of Shares in issue in the relevant Sub-Fund, Class or Category. In this event, the limitation will apply pro rata so that all holders wishing to redeem their Shares on that Valuation Day redeem the same proportion of such Shares, and Shares not redeemed but which would otherwise have been redeemed will be carried forward for redemption, subject to the same limitation, on the next Valuation Day. Redemptions carried forward will be given priority over more recently received redemption requests. If requests for redemption are so carried forward, the Board of Directors will immediately inform by mail the Shareholders affected.

In the context of determining the gain and loss, the Directors may authorize a shareholder's simultaneous redemption and subscription of the same amount of shares on the same Valuation Day which may be recorded by the Fund as a transaction with no cash transfer to or from the investor.

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## 14. TAXATION

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### FATCA Rules:

FATCA is part of the U.S. Hiring Incentives to Restore Employment Act. It is designed to prevent U.S. tax payers from avoiding U.S. tax on their income by investing through foreign financial institutions and offshore funds.

FATCA applies to so called Foreign Financial Institutions (FFIs), which notably include certain investment vehicles among which UCITS.

According to FATCA Rules, FFIs, unless they can rely under ad-hoc lighter or exempted regimes, need to register with the IRS and to report to the IRS certain holdings by/ and payments made to a/ certain U.S. investors b/ certain U.S. controlled foreign entity investor, c/ non U.S. financial institution investors that do not comply with their obligations under FATCA and d/clients that are not able to document clearly their FATCA status.

Moreover, any account that is not properly documented will have to suffer a 30% WHT.

On March 24th 2014, the Luxembourg and U.S. governments entered into a Model I IGA which aims to coordinate and facilitate the reporting obligations under FATCA with other U.S. reporting obligations of Luxembourg financial institutions.

According to the terms of the IGA, Reporting Luxembourg FFIs will have to report to the Luxembourg tax authorities instead of directly to the IRS. Information will be communicated onward by the Luxembourg authorities to the IRS under the general information exchange provisions of the U.S. Luxembourg income tax treaty.

### Taxation of the Fund

According to the law and practice currently in force, the Fund is not liable to any Luxembourg tax on profits or income, nor are any dividends paid by the Fund liable to any Luxembourg withholding tax. The Fund is, however, liable in Luxembourg to a tax of 0.05% per annum ("Taxe d'Abonnement") of its Net Asset Value, such tax being payable quarterly on the basis of the value of the net assets of the Fund at the end of the relevant calendar quarter.

However this percentage is reduced to 0.01%:

- when the investment policy of a relevant Sub-Fund (such investment policy being specified under Chapter 1), fulfils the conditions stated in article 174(2) of the Law of December 17, 2010 regarding undertakings for collective investment;
- when the relevant Sub-Fund, Class and/or Category is dedicated to Institutional Investors in the meaning of Article 174(2) of the Law of December 17, 2010 relating to undertakings for collective investment;

A tax of EUR 1,200 payable upon incorporation is due only once by the Fund ("taxe sur le rassemblement des capitaux"). Income received by the Fund on its investments may be subject to different non-recoverable withholding taxes in the countries of origin.

## U.S. Foreign account Tax Compliance Requirements

FATCA Rules being particularly complex, the Fund cannot accurately assess the extent of the requirements that FATCA provisions will place upon it.

Although the Fund will attempt to satisfy any obligations imposed on it to avoid the imposition of the 30% withholding tax, no assurance can be given that the Fund will be able to satisfy these obligations. If the Fund becomes subject to a withholding tax as a result of FATCA, the value of Shares held by all Shareholders may be materially affected.

### Taxation of shareholders

Shareholders are not subject to any capital gains, income, withholding, gift, estate, inheritance or other tax in Luxembourg, except for investors domiciled, resident or having a permanent establishment in Luxembourg and except for certain former residents of Luxembourg owning more than 10% of the Shares in the Fund. The following summary is based on the law and practice currently in force in the Grand Duchy of Luxembourg and is subject to changes therein.

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

### Automatic Exchange of Information (EAI) / Directive on Administrative Cooperation in the field of taxation (DAC)

In February 2014, the OECD released the main elements of a global standard for automatic exchange of financial account information in tax matters, namely a Model Competent Authority Agreement and a Common Reporting Standard (CRS). In July 2014, the OECD Council released the full global standard, including its remaining elements, namely the Commentaries on the Model Competent Authority Agreement and Common Reporting Standard and the Information Technology Modalities for implementing the global standard. The entire global standard package was endorsed by G20 Finance Ministers and Central Bank Governors in September 2014. The CRS initiates for participating jurisdiction a commitment to implement the latter regulation by 2017 or 2018 and ensuring the effective automatic exchange of information with their respective relevant exchange partners.

With respect to the European Union – and thus Luxembourg – the scope of information to be reported already envisaged in Article 8(5) of Directive 2011/16/UE DAC has been extended as to encompass the recommendations contained in the AEI. As such, all members of the European Union will effectively exchange information as of September 2017 with respect to calendar year 2016 (except Austria that will start reporting in 2018 regarding calendar year 2017).

The AEI has been fully implemented in Luxembourg by a law published on 24 December in the Luxembourg Gazette. The AEOI Law has officially entered into force on 1 January 2016 in Luxembourg.

The application of one or the other of these regulations will compel financial institutions to determine shareholders' residence(s) for tax purposes and to report to their local competent authority all accounts held by reportable shareholders (i.e. shareholders residing for tax purposes in a reportable jurisdiction). The information to be reported encompasses the name, the address, the Tax Identification Number (TIN) the account balance or value at the end of the relevant calendar year. As to determine shareholders' residence for tax purposes, financial institutions will review the information contained in its customer's files. Unless, the shareholder produces a valid self-certification indicating the latter's residence for tax purposes, the financial institution will report the account as being maintained by a shareholder residing in all jurisdictions for which indicia has been found.

### Tax implications for a Feeder (Sub-)Fund of the investment into a Master Fund

There is no tax implications for the Feeder (Sub-)Fund in Luxembourg.

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## 15. CHARGES AND EXPENSES

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The Fund will bear all its operating and administrative expenses. Set up costs of new Sub-Funds will not be amortized and will be fully charged to the Sub-Fund concerned during the year when the Sub-Fund is launched.

For the services it provides, the Management Company will be entitled to a fee payable and calculated as described in the relevant Data Sheets. The rates of such fees are indicated in the relevant Data Sheets.

Fees and expenses that can not be attributed to one single Sub-Fund will either be ascribed to all Sub-Funds on an equal basis or will be prorated on basis of the Net Asset Value of each Sub-Fund, if the amount and cause justify doing so. No subscription or redemption fee may be charged on account of a Sub-Fund's investment in the units of other UCITS and/or UCIs that are managed directly or by delegation by the same management company or by any other company with which the Management company is linked by common management or control, or by a substantial direct or indirect holding.

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## 16. GENERAL MEETINGS OF SHAREHOLDERS

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The annual general meeting of shareholders (the "AGM") is held each year at the registered office of the Fund or at any other address in Luxembourg specified in the notice of meeting. If this date is not a business day in Luxembourg, the AGM will be held on the following business day in Luxembourg.

The notice will be sent to Shareholders at the address given in the Share register at least eight days before the date of the meeting. These notices will set out the conditions of the meeting, the agenda and the quorum and majority, in accordance with the provisions of the Luxembourg law. Bearers will be notified the holding of the "AGM" through announcements made in newspapers including at least a Luxembourg one.

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

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## 17. LIQUIDATION AND MERGER

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**Liquidation of the Fund** - The liquidation of the Fund will take place if the conditions stated in the Law apply. In case the net assets of the Fund fall below two thirds of the minimum level required by the Law, the Board of Directors must submit the question of the dissolution of the undertaking to a general meeting for which no quorum shall be prescribed and which shall decide by simple majority of the Shares represented at the meeting. If the net assets fall below one fourth of the legal minimum, the Board of Directors must submit the question of the dissolution to a general meeting for which no quorum shall be prescribed. The dissolution may be resolved by investors holding one fourth of the Shares represented at the meeting. The meeting must be convened so that it is held within a period of 40 days as from the ascertainment that the net assets have fallen below two thirds or one fourth of the legal minimum as the case may be. Furthermore, the general meeting may decide to dissolve the Fund following the relevant articles of the Articles of Association. Any decision or order of liquidation will be notified to the Shareholders, and published in accordance with the Law. In case of dissolution of the Fund, the liquidation will be conducted by one or more liquidators appointed conform to the Articles of Association and the Law. The proceeds of liquidation of each Sub-Fund will be distributed to the Shareholders in proportion to their entitlements in that specific Sub-Fund. The sums and assets payable in respect of Shares whose holders failed to claim these at the time of closure of the liquidation will be deposited at the *Caisse de Consignations* in Luxembourg. These amounts will lapse if they are not claimed within the legal prescription period, at present thirty years.

**Liquidation of a Sub-Fund** - In case, for any reason the Net Assets of any Sub-Fund would fall below 10 million USD or the equivalent in the Sub-Fund's currency, and every time the interest of the Shareholders of the same Sub-Fund will demand so (notably in case of changes in the political and/or economical situation), the Board of Directors will be entitled, upon a duly motivated resolution, to decide the liquidation of the same Sub-Fund. Notwithstanding the powers granted to the Board of Directors, the general meeting of Shareholders of any Sub-Fund may, at any time and upon notice from the Board of Directors, decide, without quorum and at the majority of the votes present or represented, the

liquidation of the same Sub-Fund. The Shareholders will be notified by the Board of Directors or informed of its decision to liquidate in a similar manner to the convocations to the general meetings of shareholders. The net liquidation proceeds will be paid to the relevant Shareholders in proportion of the Shares they are holding. Liquidation proceeds which will remain unpaid after the closing of the liquidation procedure will be kept under the custody of the Depositary for a period of six months. At the expiration of this period, unclaimed assets will be deposited under the custody of the *Caisse de Consignation* to the benefit of the shareholders concerned.

**Merger of a Sub-Fund** - The Board of Directors may, at any time, decide the merger of any Sub-Funds with an other Sub-Fund of the Corporation, or with an other Luxembourg undertaking for collective investment submitted to the Part one of the Luxembourg law of December 17, 2010 relating to undertakings for collective investment, or with a foreign UCI qualifying as UCITS, in accordance with the terms and conditions set forth in the Law of 2010.

Insofar as the effective date of the merger requires the approval of the shareholders concerned by the merger pursuant to the provisions of the Law of 2010, the general meeting of shareholders deciding by simple majority of the votes cast by shareholders present or represented at the meeting, is competent to approve such an effective date of merger. No quorum requirement will be applicable.

In all cases, notice of the merger shall be given to the shareholders. Each shareholder shall be given the possibility, within a period of one month as of the date of the publication, to request either the redemption or conversion of its shares, free of any charges.

It being understood that, at the expiration of the one month period, the decision to merge will bind all the Shareholders who have not redeemed their shares.

**Merger of the Fund** - The Fund may be subject to a merger with another Luxembourg undertaking for collective investment submitted to the Part one of the Law of 2010, or with a foreign UCI qualifying as a UCITS in accordance with the terms and conditions set forth in the Law of 2010.

The Board of Directors will be competent to decide on the merger and the effective date of the merger.

In accordance with the provisions of the Law of 2010, in case the Fund ceases to exist, the General Meeting of shareholders, deciding by simple majority of the votes cast by shareholders present or represented at the meeting, shall be competent to decide on the merger and the effective date of merger.

Notice of the merger shall be given to the shareholders of the Fund. Each shareholder shall be given the possibility, within a period of one month as of the date of the publication, to request either the redemption or conversion of its shares, free of any charges.

It being understood that, at the expiration of the one month period, the decision to merge will bind all the Shareholders who have not redeemed their shares.

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## 18. INFORMATION AVAILABLE TO SHAREHOLDERS

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The Net Asset Value as well as the issue and redemption prices are available to the public one Bank Business Day after the Valuation Day at the registered office of the Fund.

The financial year of the Fund starts on the first of January and ends on the thirty-first of December of each year. The Fund publishes a yearly audited report on its activity and the management of its assets. The annual audited report include a consolidated balance-sheet, a consolidated income and expenditure account for the financial year, a statement of assets and liabilities for each Sub-Fund, and the auditor's report. At the end of each semester a half-yearly non-audited report is published containing the composition of the portfolio, a statement of changes in the portfolio, the number of outstanding shares and the number of Shares issued and redeemed since publication of the last report. If deemed appropriate, the Fund can publish interim reports. Audited annual reports shall be published within 4 months following the end of the accounting year and unaudited semi-annual reports shall be published within 2 months following the period to which they refer. The first audited report issued in Luxembourg will cover the period from 1<sup>st</sup> January 2002 until 31<sup>st</sup> December 2002. The first non-audited report issued in Luxembourg has covered the period from 1<sup>st</sup> January 2003 until 30<sup>th</sup> June, 2003.

The Fund's reference currency is the USD.

Copies of the Articles of Association of the Fund may be obtained at the registered office of the Fund. Material provisions of the agreements referred to in this Prospectus, to the extent that they may be relevant to the shareholders, may be inspected during usual business hours on any Luxembourg bank business day at the registered office of the Fund (5, Allée Scheffer, L-2520 Luxembourg).

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## 19. INVESTMENT RESTRICTIONS

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The Fund is subject to the following investment restrictions.

### 19.1 Eligible Assets

The Fund may only invest in:

#### Transferable Securities and Money market Instruments

- (i) transferable securities and money market instruments admitted to official listing on a stock exchange in an Eligible State (an "Official Listing"); and/or
- (ii) transferable securities and money market instruments dealt in another regulated market which operates regularly and is recognised and open to the public in an Eligible State (a "Regulated Market"); and/or
- (iii) 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 an Official Listing or a Regulated Market and such admission is achieved within a year of the issue.

(for this purpose an "Eligible State" shall mean a member State of the Organisation for Economic Cooperation and Development ("OECD") and all other countries of Europe, the American Continents, Africa, Asia, the Pacific Basin and Oceania).

- (iv) money market instruments other than those admitted to an Official Listing or dealt in on a Regulated Market, which are liquid and whose value can be determined with precision at any time, if the issuer or issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and provided that they are:
  - issued or guaranteed by a central, regional or local authority or central bank of a Member State of the European Union ("Member State"), the European Central Bank, the European Union or the European Investment Bank, a non-Member State or, in the case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more Member States belong, or
  - issued by an undertaking, any securities of which are admitted to an Official Listing or dealt in on Regulated Markets referred to in items (i) and (ii) above, or
  - issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by Community law, or by an establishment which is subject to and complies with prudential rules considered by the CSSF to be at least as stringent as those laid down by Community Law, or
  - issued by other bodies belonging to the categories approved by the CSSF provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second and the third indents and provided that the issuer is a Fund whose capital and reserves amount to at least ten million euros (EUR 10.000.000) and which presents and publishes its annual accounts in accordance with the 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.

The Fund may also invest in transferable securities and money market instruments other than those referred to in items (i) to (iv) above provided that the total of such investment shall not exceed 10 percent of the net assets attributable to any Sub-Fund.

#### Units of Undertakings for Collective Investment

- (v) units of undertakings for collective investment in transferable securities ("UCITS") authorised according to the UCITS Directive, and/or other undertakings for collective investment ("UCI") within the meaning of Article 1, paragraph (2) points a) and b) of the UCITS Directive, should they be situated in a Member State or not, provided that:
  - such other UCIs are authorised under laws which provide that they are subject to supervision considered by the Commission de Surveillance du Secteur Financier ("CSSF") to be equivalent to that laid down in Community law, and that cooperation between authorities is sufficiently ensured;
  - the level of protection for unit-holders in the other UCIs is equivalent to that provided for unit-holders in a UCITS, and in particular that the rules on asset segregation, borrowing, lending, uncovered sales of transferable securities and money market instruments are equivalent to the requirements of the UCITS Directive;

- the business of the other UCIs is reported in half-yearly and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period;
- no more than 10% of the UCITS' or the other UCIs' assets (or of the assets of any sub-fund thereof, provided that the principle of segregation of liabilities of the different compartments is ensured in relation to third parties), whose acquisition is contemplated, can, according to their constitutional documents, be invested in aggregate in units of other UCITS or other UCIs.

The Fund may invest in UCITS' provided that the total of such investment shall not exceed 10 percent of the net assets attributable to any Sub-Fund.

No subscription or redemption fees may be charged to the Fund if the Fund invests in the units of other UCITS and/or other UCIs that are managed, directly or by delegation, by the Management Company or by any other company with which the Management Company is linked by common management or control, or by a substantial direct or indirect holding.

#### Deposits with credit institutions

- (vi) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than twelve months, provided that the credit institution has its registered seat in a Member State or, if the registered seat of the credit institution is situated in a non-Member State, provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in Community law;

#### Financial Derivative instruments

- (vii) financial derivative instruments, including equivalent cash-settled instruments, admitted to an Official Listing or dealt in on a Regulated Market referred to in items (i) and (ii) above; and/or financial derivative instruments dealt in over-the-counter ("OTC derivatives"), provided that:
  - the underlying consists of instruments described in sub-paragraphs (i) to (vi), financial indices, interest rates, foreign exchange rates or currencies, in which the Fund may invest,
  - the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the CSSF, and
  - the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Fund' initiative.

Financial derivatives transactions may also be used as part of the investment strategy either for hedging purposes of the investment positions or for efficient portfolio management.

## **19.2 Investment Limits Applicable to Eligible Assets**

The following limits are applicable to the eligible assets mentioned in paragraph 19.1:

#### Transferable Securities and Money market Instruments

- a) The Fund will invest no more than 10% of the net assets of any Sub-Fund in transferable securities or money market instruments issued by the same issuer.
- b) Moreover, where the Fund, on behalf of a Sub-Fund, holds investments in transferable securities or money market instruments of any issuing body which by issuer exceed 5% of the net assets of such Sub-Fund, the total of all such investments must not account for more than 40% of the total net assets of the Sub-Fund.
- c) The limit of 10% laid down in sub-paragraph (a) above may be increased to a maximum of 35% in respect of transferable securities and money market instruments which are issued or guaranteed by a Member State, by its local authorities, by another Eligible State or by public international bodies of which one or more Member States are members, and such securities need not be included in the calculation of the limit of 40% stated in sub-paragraph (b).
- d) Notwithstanding the limits set forth under sub-paragraphs (a) and (c) above, each Sub-Fund is authorised to invest in accordance with the principle of risk spreading, up to 100% of its net assets in different transferable securities and money market instruments issued or guaranteed by a Member State, by its local authorities, by any other member state of the Organisation for Economic Cooperation and Development ("OECD") or by a public international body of which one or more Member State(s) are member(s), provided that (i) such securities are part of at least six different issues, and (ii) the securities from any one issue do not account for more than 30% of the net assets of such Sub-Fund.
- e) The limit of 10% laid down in sub-paragraph (a) above may be increased to a maximum of 25% in respect of certain debt securities if they are issued by credit institutions having their registered office in a Member State and which are subject, by law, to special public supervision designed to protect the holders



of debt securities. In particular, sums deriving from the issue of such debt securities must be invested pursuant to the law in assets which, during the whole period of validity of such debt securities, are capable of covering claims attaching to the debt securities and which, in the event of bankruptcy of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

Such debt securities need not be included in the calculation of the limit of 40% stated in sub-paragraph (b). But where the Fund, on behalf of a Sub-Fund, holds investments in such debt securities of any issuing body which individually exceed 5% of the net assets of such Sub-Fund, the total of all such investments must not account for more than 80% of the total net assets of the Sub-Fund.

- f) Without prejudice to the limits laid down in sub-paragraph (n), the limit of 10% laid down in sub-paragraph (a) above 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 a given Sub-fund 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.

#### Units of Undertakings for Collective Investment

- g) The Fund may invest up to 20% of the net assets of each Sub-Fund in securities of a same UCITS or UCI.

For the purpose of this provision, each Sub-Fund of a UCITS or UCI with multiple compartments, within the meaning of article 181 of the Law shall be considered as a separate issuer, provided that the principle of segregation of liabilities of the different compartments is ensured in relation to third parties.

Investments in other UCIs may not exceed 30% of the Fund's net assets.

#### Deposits with credit institutions

- h) The Fund may not invest more than 20 % of the net assets of a Sub-Fund in deposits made with the same body.

#### Financial Derivative instruments

- i) The risk exposure to a counterparty of the Fund in an OTC derivative transaction may not exceed 10% of the net assets of a Sub-Fund when the counterparty is a credit institution referred to above in sub-paragraph 19.1 (vi) or 5% of its net assets in other cases.
- j) The global exposure relating to derivatives may not exceed the total net assets of a Sub-Fund.

The global exposure of the underlying assets shall not exceed the investment limits laid down under sub-paragraphs (a), (b), (c), (e), (h), (i), (k) and (l). The underlying assets of index based derivative instruments are not combined to the investment limits laid down under sub-paragraphs (a), (b), (c), (e), (h), (i), (k) and (l).

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.

The exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

#### Maximum exposure to a single body

- k) The Fund may not combine:
- investments in transferable securities or money market instruments issued by a single body and subject to the 10% limit by body mentioned in sub-paragraph (a),  
and/or
  - deposits made with the same body and subject to the limit mentioned in sub-paragraph (h);  
and/or
  - exposures arising from OTC derivative transactions undertaken with the same body and subject to the 10% respectively 5% limits by body mentioned in sub-paragraph (i)

in excess of 20 % of the net assets of any Sub-Fund.

The Fund may not combine:

- investments in transferable securities or money market instruments issued by a single body and subject to the 35% limit by body mentioned in sub-paragraph (c),  
and/or
- investments in certain debt securities issued by the same body and subject to the 25% limit by body mentioned in sub-paragraph (e);  
and/or
- deposits made with the same body and subject to the 20% limit by body mentioned in sub-paragraph (h);  
and/or
- exposures arising from OTC derivative transactions undertaken with the same body and subject to the 10% respectively 5% limits by body mentioned in sub-paragraph (j)

in excess of 35 % of the net assets of any Sub-Fund.

#### Eligible assets issued by the same group

- l) Companies which are included in the same group for the purposes of consolidated accounts, as defined in Directive 83/349/EEC or in accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the investment limits mentioned in sub-paragraph (a), (b), (c), (e), (h), (i), and (k).
- m) The Fund may invest up to 20% of the net assets of any Sub-Fund in transferable securities and/or money market instruments within the same group.

#### Acquisition Limits by Issuer of Eligible Assets

- n) The Fund will not:
  - acquire shares carrying voting rights which would enable the Fund to take legal or management control or to exercise significant influence over the management of the issuing body.
  - own in any one Sub-Fund or the Fund as a whole, more than 10% of the non-voting shares of any issuer;
  - own in any one Sub-Fund or the Fund as a whole, more than 10% of the debt securities of any issuer;
  - own in any one Sub-Fund or the Fund as a whole, more than 10% of the money market instruments of any issuer
  - own in any one Sub-Fund or the Fund as a whole, more than 25% of the units of the same UCITS or other UCI (all sub-funds thereof combined).

The ceilings set forth above do not apply in respect of:

- transferable securities and money market instruments issued by a Member State or by its local authorities;
- transferable securities and money market instruments issued by any other Eligible State which is not a Member State;
- transferable securities and money market instruments issued by a public international body of which one or more Member State(s) are member(s);
- shares in the capital of a Fund which is incorporated under or organised pursuant to the laws of a State which is not a Member State provided that (i) such Fund invests its assets principally in securities issued by issuers of the State, (ii) pursuant to the law of that State a participation by the relevant Sub-Fund in the equity of such Fund constitutes the only possible way to purchase securities of issuers of that State, and (iii) such Fund observes in its investments policy the restrictions referred in this Prospectus;

If the limitations in paragraph 4.2 are exceeded for reasons beyond the control of the Fund or as a result of the exercise of redemption rights, it must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its shareholders.

### **19.3 Liquid Assets**

The Fund may hold ancillary liquid assets.

## 19.4 Unauthorised Investments

The Fund will not:

- i) Make investments in, or enter into transactions involving, precious metals and certificates involving these, commodities, commodities contracts, or certificates representing commodities;
- ii) Purchase or sell real estate or any option, right or interest therein, provided the Fund may invest in securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein;
- iii) Carry out uncovered sales of transferable securities, money market instruments or other financial instruments referred to in sub-paragraphs 4.1 (iv), (v) and (vii); provided that this restriction shall not prevent the Fund from making deposits or carrying out other accounts in connection with financial derivatives instruments, permitted within the limits referred to above;
- iv) Make loans to, or act as a guarantor on behalf of third parties, provided that for the purpose of this restriction i) the acquisition of transferable securities, money market instruments or other financial instruments referred to in sub-paragraphs 4.1 (iv), (v) and (vii), in fully or partly paid form and ii) the permitted lending of portfolio securities shall be deemed not to constitute the making of a loan;
- v) Borrow for the account of any Sub-Fund amounts in excess of 10% of the total net assets of that Sub-Fund taken at market value, any such borrowing to be from a bank and to be effected only as a temporary measure for extraordinary purposes including the redemption of Shares. However, the Fund may acquire for the account of any Sub-Fund foreign currency by way of a back-to-back loan;

The Fund will in addition comply with such further restrictions as may be required by the regulatory authorities in any country in which the Shares are marketed.

## 19.5 Lending of Portfolio Securities

The Fund may lend portfolio securities to third persons through a standardised securities lending system organised through institutions or through a first class financial institution and will receive through such clearance agency collateral in cash or securities issued or guaranteed by a governmental entity of the OECD, or by their local authorities or by supranational institutions with EU, regional or world-wide scope and blocked in favour of the Fund until termination of the lending contract. Such collateral will be maintained at all times in an amount equal to at least 100% of the total valuation of the securities, and for the duration of the loan.

Lending transactions may not be carried out for more than 30 days and in excess of 50% of the total valuation of the Portfolio securities. These limits are not applicable if the Fund has the right to terminate the lending contract at any time and obtains restitution of the securities lent.

## 19.6 Repurchase Agreements

The Fund may enter into repurchase agreements which consist in the purchase and sale of securities whereby the terms of the agreement give the option to the seller to repurchase from the purchaser the securities at a price and time agreed amongst the two parties at the conclusion of the agreement. During the lifetime of a repurchase agreement, the Fund will not sell the securities which are the object of the agreement (i) either before the repurchase of the securities by the counterparty has been carried out or (ii) the repurchase period has expired. The Fund will further ensure to maintain the importance of purchased securities subject to a repurchase obligation of a level such that it is able at all times, to meet its obligation to redeem its own shares.

## 19.7 Use of Derivatives

The Fund may use financial derivative instruments only for the purpose of protecting assets against the fluctuation of currencies,

If any of the above limitations are exceeded for reasons beyond the control of the Fund or as a result of the exercise of subscription rights, the Fund must adopt, as a priority objective, sales transactions for the remedying of that situation, taking due account of the interests of its Shareholders.

## 19.8 Management of collateral and collateral policy

### General

In the context of OTC financial derivative transactions, the Fund may receive collateral with a view to reduce its counterparty risk. This section sets out the collateral policy applied by the Management Company on behalf of the Fund in such case.

### Eligible Collateral

Collateral received by the Fund may be used to reduce its counterparty risk exposure if it complies with the criteria set out in applicable laws, regulations and CSSF-Circulars issued from time to time notably in terms of liquidity, valuation, issuer credit quality, correlation, risks linked to the management of collateral and enforceability. In particular, collateral should comply with the following conditions:

- (i) Any collateral received other than cash should be of high quality, 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;
- (ii) It should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place;
- (iii) It should 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;
- (iv) It should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure of 20% of the respective Sub-Fund's net asset value to any single issuer on an aggregate basis, taking into account all collateral received.
- (v) It should be capable of being fully enforced by the Management Company on behalf of the Fund at any time without reference to or approval from the counterparty.

Subject to the abovementioned conditions, collateral received by the Fund may consist of:

- (i) Cash and cash equivalents, including short-term bank certificates and money market instruments;
- (ii) Bonds issued or guaranteed by a Member State of the OECD or by their local public authorities or by supranational institutions and undertakings with EU, regional or worldwide scope;
- (iii) Shares or units issued by money market UCIs calculating a daily net asset value and being assigned a rating of AAA or its equivalent;
- (iv) Shares or units issued by UCITS investing mainly in bonds/shares mentioned in Chapter XII, section A, number 5 above;
- (v) Bonds issued or guaranteed by first class issuers offering adequate liquidity
- (vi) Shares admitted to or dealt in on a regulated market of a Member State of the EU or on a stock exchange of a Member State of the OECD, on the condition that these shares are included in a main index.

#### Level of Collateral

The Management Company will determine the required level of collateral for OTC financial derivatives transactions by reference to the applicable counterparty risk limits set out in this Prospectus and taking into account the nature and characteristics of transactions, the creditworthiness and identity of counterparties and prevailing market conditions.

#### Haircut Policy

The Fund applies a haircut policy relating to the classes of assets received as collateral in accordance with the ESMA guidelines on ETFs and other UCITS issues (ESMA/2012/832).

The Fund typically utilizes mainly cash and securities as collateral with haircuts as set out below. In any cases, eligible collateral consist of high credit quality, diversified and liquid assets.

Collateral will be valued, on a daily basis, using available market prices and taking into account appropriate discounts ("haircut") which provides, inter alia, for short term fluctuations in the value of the exposure and of the collateral, and which will be determined by the Fund for each asset class. Collateral posted against security loans should equal or be greater than 105% of its value and should only be from approved cash and securities as mentioned below:

- (i) securities issued or guaranteed by a governmental entity of the OECD, or by their local authorities or by supranational institutions with EU, regional or world-wide scope;

No haircut will generally be applied to cash collateral.

### **19.9 Investments between Sub-Funds of the same Fund**

A Sub-Fund may subscribe, acquire and hold securities to be issued or issued by one or more Sub-Fund(s) of the Fund without being subject to the requirements of the Law of 10 august 1915 on commercial companies, as amended, with respect to the subscriptions, acquisition and or holding by a company of its own shares, under the condition, however that:

- The target Sub-Fund does not, in turn, invest in the Sub-Fund invested in this target Sub-Fund, and

- No more than 10% of the assets of the target Sub-Fund whose acquisition is contemplated may be invested in aggregate in shares of other target Sub-Funds of the Fund, and
- Voting rights, if any, attaching to the relevant securities are suspended for as long they are held by the Sub-Fund concerned and without prejudice to the appropriate processing in the accounts and the periodic reports, and
- In any event, for as long as these securities are held by the Fund, their value will not be taken into consideration for the calculation of the net assets of the Fund for the purposes of verifying the minimum threshold for the assets imposed by the Law of 2010, and
- There is no duplication of the management/subscription or repurchase fees between those at the level of the investing Sub-Fund and the target Sub-Fund.

#### **19.10 Master / Feeder structure**

In accordance with the provisions of the Chapter 9 of the Law of 2010, the Board of Directors may, at any time it deems appropriate:

- Create new Sub-Funds qualifying either as Feeder (Sub-)Fund or as Master (Sub-)Fund;
- Convert any existing Sub-Fund into a Feeder (Sub-)Fund;
- Change the Master Fund of any of its Feeder(s) (Sub-)Fund(s).

A Feeder (Sub-)Fund will, as such, permanently invest 85% or more of its assets in units of a Master Fund, the name of which being disclosed in the Chapter 1 of the present prospectus. The Feeder (Sub-)Fund may hold up to 15% of its assets in one or more of the following:

- ancillary liquid assets;
- financial derivative instruments, which may be used only for hedging purposes;
- movable and immovable property which is essential for the direct pursuit of its business.

A Master (Sub-)Fund is a (Sub-)Fund, which:

- has, among its unitholders, at least one Feeder (Sub-)Fund;
- is not itself a Feeder (Sub-)Fund; and
- does not hold units of a Feeder (Sub-)Fund.