

MARGIN OF SAFETY FUND – FUND 1

Margin of Safety Fund- Fund 1 is a sub-fund of Margin of Safety Fund (the "Company"), an umbrella SICAV authorised under Part I of the Luxembourg Law of 20 December 2002 with its registered office at 5, allée Scheffer, L- 2520 Luxembourg, R.C. Luxembourg B 88 649.

Simplified Prospectus

MAY 2009

This Simplified Prospectus has been drawn up in accordance with article 109 of the Luxembourg 20 December 2002 law (the "Law") on undertakings for collective investment and contains a summary of certain information about Margin of Safety Fund-Fund 1, a sub-fund (the "Sub-Fund") of Margin of Safety Fund (the "Fund").

This Simplified Prospectus does not replace the full prospectus of the Fund. Please refer to the full prospectus dated May 2009 for further details. *Terms expressed in capital letters in this Simplified Prospectus have the same meaning as in the full prospectus of the Fund.* Information relating *inter alia* to the compilation of the assets of the Fund may be consulted from the semi-annual and annual reports of the Fund. These documents are made available free of charge to Shareholders at the registered office of the Fund either before or after the conclusion of the agreement.

The Fund is a Luxembourg investment fund set-up for an unlimited duration on August 14, 2002. The Fund is an umbrella fund with several sub-funds subject to Part I of the Law.

INVESTMENT OBJECTIVE AND POLICY

The objective of this Sub-Fund is to generate a superior long term rate of return for its investors, through investing primarily in listed equities issued by companies domiciled in Europe and the United States, while simultaneously attempting to minimise the risk of a permanent loss in the value of the Sub-Fund's investments. On an ancillary basis, the Sub-Fund may also invest in fixed income securities.

The Sub-Fund may also hold on an ancillary basis cash or cash equivalent such as money market instruments regularly negotiated having a maturity of twelve month or less.

The Sub-Fund may use financial derivative instruments only for the purpose of protecting assets against the fluctuation of currencies. The Sub-Fund will limit its activities in this regard to forward currency sales only.

The Sub-Fund may lend portfolio securities to third persons and enter into repurchase agreements subject to the conditions mentioned in the full prospectus.

The reference currency is the USD.

RISK PROFILE

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.

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 completely avoided.

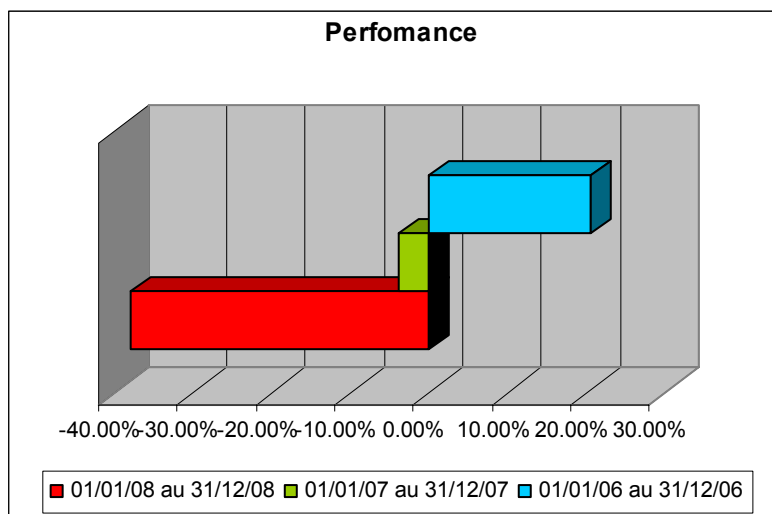
Please refer to the full prospectus (pages 4, 9 and 12) for a detailed description of the risk factors associated to investments in the Sub-Fund.

PROFILE OF THE TYPICAL INVESTOR

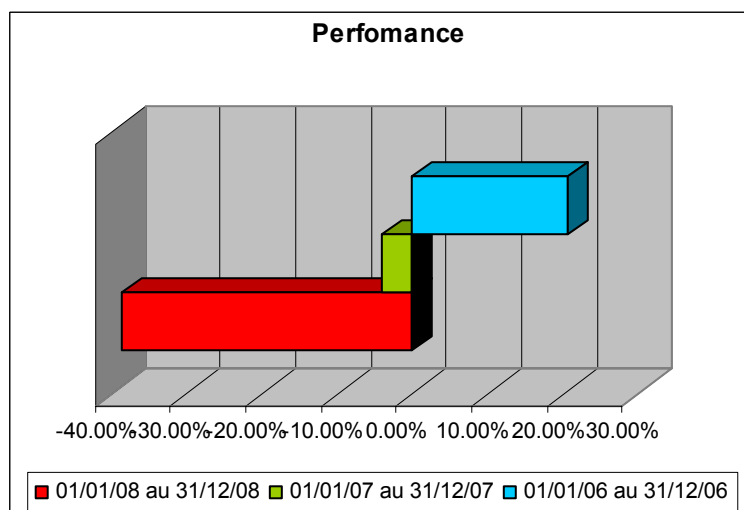
Only experienced investors who can sustain significant losses of principal should invest in the Fund. Investors in the Fund should be able to afford to set aside capital for at least 5 years. The Fund is designed with the investment objective of building up capital.

PERFORMANCE

Class I



Class P



These graphs show the past performance since the launch date. Past performance is not necessarily a guide to the future performance results of the Sub-Fund's Classes of Shares. The value of an investment and the income from it can go down as well as up and you may not get back the amount invested.

TREATMENT OF INCOME

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 Law. In full compliance with what is provided in the Articles of Incorporation 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.

FUND EXPENSES

Management Company fees:

The Sub-Fund shall pay a Management Company Fee to the Management Company, payable monthly, at an annual rate of 0.05% per annum with a minimum of EUR 40,000 per annum which shall be calculated on the Sub-Fund's average Net Asset Value. *Fees charged to the investor:*

- subscription charge:
Class I: up to 5 %
Class P: up to 5 %
- redemption charge: none
- conversion charge: where conversions are allowed, no conversion fees will be levied

Operating expenses directly charged to the Sub-Fund and reflected in the Net Asset Value:

- annual investment management fee:
 - Class I: maximum 0,90% on the quarterly average Net Asset Value of this Class
 - Class P: maximum 2% on the quarterly average Net Asset Value of this Class
- custodian fee: up to 0.08% of the Net Asset Value
- administration fee: up to 0.08% of the Net Asset Value.
With a minimum of USD 15,000 per Sub-Fund per year.

For each additional Sub-Fund's class where a separate Net Asset Value has to be calculated, a monthly fee of USD 170 will be charged.

For each multi-currency Sub-Fund's class, an additional fee of USD 50 per month will be billed.

No extra fee is charged for the additional NAV calculation arising from the issue of distribution and accumulation categories.

- annual performance fee:

The Sub-Fund shall pay to the Investment Manager 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 1st January to 31st December of each year (the Reference Period) exceeding 12% (the Reference Performance).

The performance fee of Class I shares and Class P shares denominated in EUR will be based on net increases in the Net Asset Value per share of Class I shares and Class P shares denominated in USD.

Please refer to the full prospectus for a detailed description of the performance fee calculation.

TAXATION

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.

Income received by the Fund on its investments may be subject to different non-recoverable withholding taxes in the countries of origin.

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.

EU Savings Directive

Council Directive 2003/48/EC (the "EU Savings Directive") came into force on 1st July 2005 and applies where a paying agent domiciled in an EU member state makes distributions from and redemptions of Shares in certain Sub-funds, where the beneficiary is an individual residing in another EU member state or a residual entity as defined under the EU Savings Directive. In such circumstances, the paying agent is required either to report income received by shareholders to the relevant tax authority or to withhold an appropriate amount of tax on the income element of distribution and redemption proceeds. Shareholders should inform themselves of, and where appropriate take advice on, the impact of the EU Savings Directive on their investment

VALUATION DAY AND PRICE PUBLICATION

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 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.

HOW TO BUY / SELL / CONVERT SHARES

1) Subscription procedures

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.

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.

Procedure

Duly completed and signed subscription forms received by the Fund no later than 11:00 Luxembourg time on 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 3 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 Custodian 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 3 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.

In the context of money laundering prevention and in compliance with Luxembourg and international regulations applicable thereto, any Subscriber will have to establish its identity to the Fund. Such identification will be provided upon subscription and evidenced as described in the subscription agreement. The financial institution which collects the subscription may also be entitled to identify the subscriber provided such financial institution is a professional of the financial sector and is subject to an identification obligation equivalent to that required under Luxembourg law for the prevention of money-laundering, or in case the financial institution is a subsidiary or a branch whose parent is subject to an identification obligation equivalent to that required under Luxembourg law for the prevention of money-laundering, and that such law applicable to the parent of the subsidiary or branch imposes an equivalent obligation on the subsidiary or branch itself. Subscription may be temporary suspended until identification of the source of the funds. Failing identification, the subscription will be refused.

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 the Sub-Fund if 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;
- that in addition to the subscription fee applicable to Single Payment subscriptions 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. The full prospectus is attached to such leaflets, or such leaflets describe how the full prospectus can be obtained. Terms and conditions of Plans do not interfere with the right of any subscriber to redeem its Shares.

2) Conversion procedures

Unless otherwise approved by the Fund's Board of Directors, conversion from from any class to another one are not allowed. Therefore, conversions are only possible from accumulation Shares 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. Where conversions are allowed, no conversion fees will be levied.

Any requests for conversion if received by the Fund in Luxembourg no later than 11.00 Luxembourg time on 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. 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 concerning the suspension of the calculation of the Net Asset Value and issue, conversion and redemption of Shares, 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.

3) Redemption procedures

Without prejudice to the exceptions and limitations stated elsewhere in the full prospectus, any Shareholder may request that any or all of his Shares may be redeemed by the Fund. Shares redeemed by the Fund will be nullified.

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 of the full prospectus 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 11:00 Luxembourg time on 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. Requests received after these date and time will take effect on the following Valuation Day.

The payment of redeemed Shares will take place within 3 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 Buisness day in the United States of America, the payment of redeem shares will be one day delayed.

Payment will take place in the currency of the Sub-Fund's class, 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 Company as a transaction with no cash transfer to or from the investor.

ADDITIONAL IMPORTANT INFORMATION

- Legal structure

Margin of Safety Fund-Fund 1 is a Sub-Fund of Margin of Safety Fund.

- Launch date /incorporation of the Fund

The Fund has been incorporated in Luxembourg on August 14, 2002.

Prior to moving to Luxembourg, the Fund had been incorporated in the British Virgin Islands from January 19, 1998 to August 14, 2002.

- Supervisory authority

Commission de Surveillance du Secteur Financier, Luxembourg

- Promotor of the Fund

Pastel & Associés S.A., 9-11 avenue Franklin D. Roosevelt, F-75008 Paris

- Management Company

Luxcellence Management Company S.A., 5, allée Scheffer, L-2520 Luxembourg

- Custodian, Paying Agent and Domiciliary Agent

CACEIS Bank Luxembourg, 5, allée Scheffer, L-2520 Luxembourg

- Central Administration

CACEIS Bank Luxembourg, 5, allée Scheffer, L-2520 Luxembourg

- Investment manager

Pastel & Associés S.A., 9-11 avenue Franklin D. Roosevelt, F-75008 Paris

- Auditor

KPMG, 31, allée Scheffer, L- 2520 Luxembourg

- Financial year

1st January to 31 December

FURTHER INFORMATION

For further information, please contact the central administration of the Fund, 5, allée Scheffer, L-2520 Luxembourg, telephone number: +352/ 47 67 9.