

# **OFFERING DOCUMENT**

## **KMG SICAV – SIF**

*An Investment Company with Variable Capital*

*Specialised Investment Fund*

*organised under the laws of the Grand-Duchy of Luxembourg*

11, Rue Aldringen

L-1118 Luxembourg

Grand-Duchy of Luxembourg

**JUNE 2010**

## **IMPORTANT INFORMATION**

The Shares referred to in this Offering document (the "Offering document") are offered solely on the basis of the information contained herein and in the reports referred to in the Offering document. In connection with the offer hereby made, no person is authorised to give any information or to make any representations other than those contained in the Offering document and the documents referred to herein, and any purchase made by any person on the basis of statements or representations not contained in or inconsistent with the information contained in the Offering document shall be solely at the risk of the purchaser.

The Directors have taken all reasonable care to ensure that the information contained in this Offering document is, to the best of their knowledge and belief, in accordance with the facts and does not omit anything material to such information. The Directors accept responsibility accordingly.

Prospective purchasers of Shares should inform themselves as to the legal requirements, exchange control regulations and applicable taxes in the countries of their citizenship, residence or domicile, and should consult with their own financial adviser, stockbroker, lawyer or accountant as to any questions concerning the contents of this Offering document.

The Shares have not been registered under the United States Securities Act of 1933 (the "Securities Act"), and the Fund has not been registered under the United States Investment Company Act of 1940. The Shares may not be offered, sold, transferred or delivered, directly or indirectly, in the United States, its territories or possessions or to U.S. Persons (as defined in Regulation S under the Securities Act) except to certain qualified U.S. institutions in reliance on certain exemptions from the registration requirements of the Securities Act. Neither the Shares nor any interest therein may be beneficially owned by any other U.S. Person. KMG Sicav - SIF may repurchase Shares held by a U.S. Person or refuse to register any transfer to a U.S. Person as it deems appropriate to assure compliance with the Securities Act. See Heading "Shares".

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service providers, Investors authorise this use of the information as well. The Fund will not divulge any confidential Investor information unless required to do so by law or regulation.

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## **1. OVERVIEW**

### **FUND**

KMG SICAV – SIF  
11, Rue Aldringen  
L-1118 Luxembourg  
Grand Duchy of Luxembourg

### **MEMBERS OF THE BOARD OF THE FUND**

Kevin Mudd, Director  
Vincent Derudder, Director  
Richard Goddard, Director  
Supreetee Kumudini Saddul, Director  
Hanna Esmee Duer, Director

### **GLOBAL INVESTMENT MANAGER**

KMG Capital Markets Luxembourg S.A.  
9, Rue Basse  
L-4963 Clemency  
Grand Duchy of Luxembourg

### **CUSTODIAN AND PRINCIPAL PAYING AGENT**

KBL European Private Bankers S.A.  
43, Boulevard Royal  
L-2955 Luxembourg  
Grand Duchy of Luxembourg

### **DOMICILIARY, ADMINISTRATIVE, REGISTRAR AND TRANSFER AGENT**

KREDIETRUST S.A. Luxembourg  
11, Rue Aldringen  
L-1118 Luxembourg  
Grand Duchy of Luxembourg

### **AUDITORS**

DELOITTE SA  
560, Rue de Neudorf  
L-2220 Luxembourg  
Grand Duchy of Luxembourg

## 2. GLOSSARY

**Articles of Incorporation** - the articles of incorporation of the Fund

**Assets** – resource managed by an entity as a result of transactions from which future economic benefits may be obtained and property or things having a value

**Business Day** – a day on which banks are open for business in Luxembourg. On any Business Day, the Board of Directors may decide to determine a Net Asset Value to be used for information purpose only.

**Category** – group of shares of each Class, which are sub-divided into capitalisation of income or distribution of dividends

**Class** – group of shares of each Dedicated Fund which may differ, inter alia, in respect of their specific denominated currency, charging structures or other specific features

**Custodian** – KBL European Private Bankers S.A.

**Dedicated Fund** – a separate portfolio of assets within the Fund

**Dedicated Fund's Asset** or "gross assets" – For each Dedicated Fund, the sum resulting from its assets plus any amount borrowed for the purpose of investments (if any)

**Eligible Investor** - Institutional Investors, Professional Investors and/or Well Informed Investors within the meaning of the 2007 Law. The conditions set forth above are not applicable to the directors and other persons who are involved in the management of the Fund.

**EU** – the European Union

**Euro or EUR** – the single currency of the member states of the Economic and Monetary Union.

**Fund** – a Luxembourg *société d'investissement à capital variable – specialised investment fund* as more fully described below in the section entitled "The Fund", known as "KMG SICAV - SIF"

**Group of Companies** — companies belonging to the same body of undertakings and which must draw up consolidated accounts in accordance with Council Directive 83/349/EEC of 13<sup>th</sup> June 1983 on consolidated accounts or according to recognised international accounting rules

**Global Investment Manager** – KMG Capital Markets Luxembourg S.A.

**Institutional Investors** – a well-informed investor qualifying as an institutional investor or a professional investor as set forth by the Law of 2007

**Investment Manager/Advisor**– any entity or person appointed from time to time by the Global Investment Manager

**Law of 2007** – the law of 13<sup>th</sup> February 2007 relating to specialised investment funds.

**Member State** – a member state of the European Union

**Mémorial** – the Mémorial C, Recueil des Sociétés et Associations

**Money Market Instruments** – instruments normally dealt in on the money market which are liquid, and have a value which can be accurately determined at any time

**Net Asset Value** – the net asset value, issue price, repurchase and conversion price per Share of the relevant Dedicated Fund as determined in the Reference Currency on each Valuation Day in accordance with the section below entitled "Determination of the Net Asset Value of Shares"

**OTC** – Over the Counter

**Reference Currency** – the currency in which the Fund or each Dedicated Fund is denominated

**Register** - the Luxembourg Register of Trade and Companies

**Regulated Market** – a regulated market as defined in the Council Directive 93/22/EEC of 10<sup>th</sup> May 1993 on investment services in the securities field ("Directive 93/22/EEC")

**Regulatory Authority** – the Luxembourg authority or its successor in charge of the supervision of the undertakings for collective investment in the Grand Duchy of Luxembourg

**Shareholder** - owner of Shares

**Shares** - each share within any Dedicated Fund

**Transferable Securities** – (i) shares in companies and other securities equivalent to shares in companies ("shares"); (ii) bonds and other forms of securitised debt ("debt securities") and (iii) any other negotiable securities which carry the right to acquire any such transferable securities by subscription or exchange, to the extent they do not qualify as techniques and instruments as described hereafter

**UCI** – an undertaking for collective investment subject to risk spreading obligations comparable to those provided for funds subject to the Law of 13<sup>th</sup> February 2007

**UCITS** – an undertaking for collective investment in transferable securities under Article 1(2) of the UCITS Directive

**UCITS Directive** – Council Directive EEC/85/611 of 20<sup>th</sup> December 1985 on the coordination of laws, regulations and administrative provisions relating to undertaking for collective investment in transferable securities, as amended

**Valuation Day** – in relation to any Dedicated Fund, means the Business Day (except a Business Day falling within a period of suspension of determination of Net Asset Value), at which the Net Asset Value per Share of each Dedicated Fund is calculated in order to settle applications for subscription and/or redemption and/or conversion. Net Asset Value, calculated for information purpose only, could not be used to settle applications for subscription and/or redemption and/or conversion unless otherwise determined by the Board of Directors

**Well-Informed Investor** – well-informed investors in the meaning of Article 2 of the law of 13<sup>th</sup> February 2007

### **3. THE FUND**

The Fund is an investment company constituted on 4<sup>th</sup> June 2008 under the form of a société anonyme, qualifying as a "société d'investissement à capital variable – fonds d'investissement spécialisé" with multiple Dedicated Funds organised in and under the laws of the Grand Duchy of Luxembourg and the law of 10<sup>th</sup> August 1915 on commercial companies, as amended, which envisages to invest in a diversified range of transferable securities and/ or other assets accepted by law, conforming to the investment policy of each particular Dedicated Fund.

The capital of the Fund shall at all times be equal to the total Net Asset Value of the Fund.

The Fund is registered pursuant to the Law of 2007. However such registration does not require any Luxembourg authority to approve or disapprove either the adequacy or accuracy of the Offering document or the assets held in the various Dedicated Funds. Any representations to the contrary are unauthorised and unlawful.

The Fund was created for an unlimited duration.

The Fund's Articles of Incorporation have been deposited with the Luxembourg Register of Trade and Companies (the "Register") and will be published in the Mémorial. The Fund has been registered with the Register.

The Articles of Incorporation may be amended from time to time by a general meeting of Shareholders, subject to the quorum and majority requirements provided by the law of 10<sup>th</sup> August 1915 on commercial companies, as amended. Any amendment thereto shall be published in the Mémorial and, if necessary, in a Luxembourg daily of wide circulation newspaper and/or in the official publications specified for the respective countries in which the Shares are sold. Such amendments become legally binding on all Shareholders, following their approval by the general meeting of Shareholders.

The Shares of every Dedicated Fund of the Fund may be listed on the Luxembourg Stock Exchange, upon decision of the Board of Directors. The reference currency of the Fund is the Euro.

In accordance with the Articles of Incorporation, the Board of Directors of the Fund may issue Shares in each Dedicated Fund. A separate pool of assets is maintained for each Dedicated Fund and is invested in accordance with the investment objectives applicable to the relevant Dedicated Fund. As a result, the Fund is an "umbrella fund" enabling investors to choose between one or more investment objectives by investing in one or more Dedicated Funds. Investors may choose which Dedicated Fund(s) may be most appropriate for their specific risk and return expectations as well as their diversification needs.

Each Dedicated Fund is treated as a separate entity and operates independently, the relevant portfolio of assets being invested for the exclusive benefit of this Dedicated Fund. A purchase of Shares relating to one particular Dedicated Fund does not give the holder of such Shares any rights with respect to any other Dedicated Fund.

The net proceeds from the subscription for each Dedicated Fund are invested in the specific portfolio of assets constituting that Dedicated Fund.

With regard to third parties, any liability will be exclusively attributed to the Dedicated Fund.

The specific investment policy and features of the Dedicated Funds are described in detail in the Appendices of this Offering document.

The Board of Directors of the Fund may, at any time, create additional Dedicated Funds. In that event the Offering document will be updated accordingly.

Furthermore, in respect of each Dedicated Fund, the Board of Directors of the Fund may decide to issue one or more Classes of Shares, and within each Class, one or several Category(ies) of Shares subject to specific features such as a specific sales and redemption charge structure, a specific management fee structure, different distribution, Shareholders servicing or other fees, different types of targeted investors, different currencies and/or such other features as may be determined by the Board of Directors of the Fund from time to time. The currency in which the Classes or Categories of Shares are denominated may differ from the Reference Currency of the relevant Dedicated Fund. The Fund may, at the expense of the relevant Class or Category of Shares, use instruments such as forward currency contracts to hedge the exposure of the investments denominated in other currencies than the currency in which the relevant Class or Category of Shares is denominated.

The Classes of Shares and their Categories for each Dedicated Fund are indicated in the relevant Appendix.

The amounts invested in the various Classes or Categories of Shares of each Dedicated Fund are themselves invested in a common underlying portfolio of investments. The Board of Directors of the Fund may decide to create further Classes or Categories of Shares with different characteristics and, in such case, this Offering document will be updated accordingly.

Shares of different Classes or Categories within each Dedicated Fund may be issued, redeemed and converted at prices computed on the basis of the Net Asset Value per Share, within the relevant Dedicated Fund, as defined in the Articles of Incorporation.

The Fund was incorporated with an initial capital of Euro 31,000.- divided into fully paid-up Shares.

The minimum subscribed capital of the Fund, as prescribed by law, is Euro 1,250,000. This minimum must be reached within a period of 12 months following the authorisation of the Fund as a SICAV-SIF under the Law of 2007.

## **4. INVESTMENT OBJECTIVES AND POLICIES**

### **4.1 Investment Objective of the Fund**

The purpose of the Fund is to provide investors with an opportunity for investment in a professionally managed investment fund in order to achieve an optimum return from the capital invested. The Fund is restricted solely to Well-Informed Investors such as institutional investors, professional investors and other investor who meets the following conditions:

- (a) he has confirmed in writing that he adheres to the status of well-informed investor, and

- (b) he is committed to invest a minimum of 125,000 Euro in the specialised investment fund, or, when investing less, he has been the subject of an assessment made by a credit institution within the meaning of Directive 2006/48/EC, by an investment firm within the meaning of Directive 2004/39/EC or by a management company within the meaning of Directive 2001/107/EC certifying his expertise, his experience and his knowledge in adequately apprising an investment in the specialised investment fund.

The conditions set forth above are not applicable to the directors and other persons who are involved in the management of the Fund.

The Fund will seek to achieve its objective, in accordance with the policies and guidelines established by the Board of Directors of the Fund.

For this purpose the Fund offers a choice of Dedicated Funds as described in the Appendices, which allow investors to make their own strategic allocation.

#### 4.2 Investment Objectives and Policies of the Dedicated Funds

The Board of Directors of the Fund has determined the investment objective and policies of each Dedicated Fund as described in Appendix II of the Offering document. There can be no assurance that the investment objective for any Dedicated Fund will be attained. Pursuit of the investment objective and policies of any Dedicated Fund must be in compliance with the risk spreading rules and investment policy applicable to the relevant Dedicated Fund.

See "Risk Considerations" for a discussion of certain factors in connection with an investment in the relevant Dedicated Funds.

## 5. RISK CONSIDERATIONS

### 5.1 General

Despite the possibility for the Fund to use option, futures and swap contracts and to enter into forward foreign exchange transactions with the aim to hedge exchange rate risks, all Dedicated Funds are subject to market or currency fluctuations, and to the risks inherent in all investments. Therefore, no assurance can be given that the invested capital will be preserved, or that capital appreciation will occur.

### 5.2 Exchange Rates

The currency in which the Classes of Shares of each Dedicated Fund is denominated is not necessarily the Reference Currency of the relevant Dedicated Fund or the investment currency of the Dedicated Fund concerned. Investments are made in those currencies that best benefit the performance of the Dedicated Funds in the view of the Global Investment Manager.

Changes in foreign currency exchange rates may affect the value of Shares held in the Dedicated Funds.

Shareholders investing in a Dedicated Fund other than in the currency in which the relevant Class of Shares is denominated should be aware that exchange rate fluctuations could cause the value of their investment to diminish or increase.

### 5.3 Interest Rates

The value of fixed income securities held by the Dedicated Funds generally will vary inversely with changes in interest rates and such variation may affect Share prices accordingly.

### 5.4 Equity Securities

The value of a Dedicated Fund that invests in equity securities will be affected by changes in the stock markets and changes in the value of individual portfolio securities. At times, stock markets and individual securities can be volatile and prices can change substantially in short periods of time. The equity securities of smaller companies are more sensitive to these changes than those of larger companies. This risk will affect the value of such Dedicated Funds, which will fluctuate as the value of the underlying equity securities fluctuates.

### 5.5 Investments in other funds and UCI and underlying leverage risk exposure

The value of an investment represented by a fund or a UCI in which the Fund invests, may be affected by fluctuations in the currency of the country where such fund or UCI invests, or by foreign exchange rules, the application of the various tax laws of the relevant countries, including withholding taxes, government changes or variations of the monetary and economic policy of the relevant countries. Furthermore, it is to be noted that the Net Asset Value per Share will fluctuate mainly in light of the net asset value of the targeted funds or UCIs.

In addition, some targeted funds or UCIs can be involved in significant economic leverage which can involve significant risks of loss. The low initial margin deposits normally required to these funds or UCIs to establish a position in their underlying investments permits leverage. As a result, a relatively small movement in the price of such funds or UCIs underlying investments may result in a profit or a loss that is high in proportion to the amount of assets actually placed as initial margin and may result in unlimited further loss exceeding any margin deposited.

The amount of leverage or borrowings, which the targeted funds or UCIs may have outstanding at any time, may be large in relation to their capital. Consequently, the level of margin and interest rates generally and the rates at which the targeted funds or UCIs can borrow, in particular, will affect their operating results.

### 5.6 Emerging Markets

All Dedicated Fund investments in the securities issued by corporations, governments, and public-law entities in different nations and denominated in different currencies involve certain risks. These risks are typically increased in developing countries and emerging markets. Such risks, which can have adverse effects on portfolio holdings, may include: (i) investment and repatriation restrictions; (ii) currency fluctuations; (iii) the potential for unusual market volatility as compared to more industrialised nations; (iv)

government involvement in the private sector; (v) limited investor information and less stringent investor disclosure requirements; (vi) shallow and substantially smaller liquid securities markets than in more industrialised countries, which means a Dedicated Fund may at times be unable to sell certain securities at desirable prices; (vii) certain local tax law considerations; (viii) limited regulation of the securities markets; (ix) international and regional political and economic developments; (x) possible imposition of exchange controls or other local governmental laws or restrictions; (xi) the increased risk of adverse effects from deflation and inflation; and (xii) the possibility of limited legal recourse for the Dedicated Fund.

Investors in Dedicated Funds investing in emerging markets should in particular be informed that the liquidity of securities issued by corporations and public-law entities in emerging markets may be substantially smaller than with comparable securities in industrialised countries.

#### 5.7 Derivatives leverage risk

The concerned Dedicated Fund may use both listed (including but not limited to futures and options) and OTC derivatives (including but not limited to options, forwards, interest rate swaps and credit derivatives) as part of its investment strategy for hedging or efficient portfolio management purposes.

These instruments are volatile and may be subject to various types of risks, including but not limited to market risk, liquidity risk, credit risk, counterparty risk, legal risk and operations risks. In addition, the use of derivatives can involve significant economic leverage and may, in some cases, involve significant risks of loss. The low initial margin deposits normally required to establish a position in such instruments permits leverage. As a result, a relatively small movement in the price of the contract and/or of one of its parameters may result in a profit or a loss that is high in proportion to the amount of assets actually placed as initial margin and may result in unlimited further loss exceeding any margin deposited. Furthermore, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged.

The amount of leverage or borrowings, which the Dedicated Fund may have outstanding at any time, may be large in relation to their capital. Consequently, the level of margin and interest rates generally and the rates at which the Dedicated Fund can borrow, in particular, will affect the operating results of the Dedicated Fund.

Whether any margin deposit will be required for OTC options and other OTC instruments, such as currency forwards, swaps and certain other derivative instruments will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

#### 5.8 Options, Futures and Swaps

Each of the Dedicated Funds may use options, futures and swap contracts and enter into forward foreign exchange transactions to the extent allowed in accordance with the investment policy of the Dedicated Funds. The ability to use these strategies may be limited by market conditions and regulatory limits and there can be no assurance that the

objective sought to be attained from the use of these strategies will be achieved. Participation in the options or futures markets, in swap contracts and in foreign exchange transactions involves investment risks and transaction costs to which the Dedicated Funds would not be subject if they did not use these strategies. If the Dedicated Funds Investment Manager's predictions of movements in the direction of the securities, foreign currency and interest rate markets are inaccurate, the adverse consequences to a Dedicated Fund may leave the Dedicated Fund in a less favourable position than if such strategies were not used.

Risks inherent in the use of options, foreign currency, swaps and futures contracts and options on futures contracts include, but are not limited to (a) dependence on the Global Investment Manager's ability to predict correctly movements in the direction of interest rates, securities prices and currency markets; (b) imperfect correlation between the price of options and futures contracts and options thereon and movements in the prices of the securities or currencies being hedged; (c) the fact that skills needed to use these strategies are different from those needed to select portfolio securities; (d) the possible absence of a liquid secondary market for any particular instrument at any time; and (e) the possible inability of a Dedicated Fund to purchase or sell a portfolio security at a time that otherwise would be favourable for it to do so, or the possible need for a Dedicated Fund to sell a portfolio security at a disadvantageous time.

Where a Dedicated Fund enters into swap transactions it is exposed to a potential counterparty risk. In case of insolvency or default of the swap counterparty, such event would affect the assets of the Dedicated Fund.

#### 5.9 Warrants risk

Investments in and holding of warrants may result in increased volatility of the Net Asset Value of certain Dedicated Funds, which may make use of warrants, and accordingly is accompanied by a higher degree of risk.

#### 5.10 Real Estate Securities risk

Some Dedicated Funds invest in real estate. Real estate values rise and fall in response to a variety of factors, including local, regional and national economic conditions, interest rates and tax considerations. When economic growth is slow, demand for property decreases and prices may decline. Property values may decrease because of overbuilding, increases in property taxes and operating expenses, changes in zoning laws, environmental regulations or hazards, uninsured casualty or condemnation losses, or general decline in neighbourhood values.

Real estate investments may be affected by any changes in the value of the properties owned and other factors, and their prices tend to go up and down. Real estate investment performance depends on the types and locations of the properties the Dedicated Fund owns and on how well it manages those properties. A decline in rental income may occur because of extended vacancies, increased competition from other properties, tenants' failure to pay a rent or poor management. Real estate investment performance also depends on the Dedicated Fund's ability to finance property purchases and renovations and manage its cash flows. Since real estate investments typically are invested in a limited number of projects or in a particular market segment, they are more susceptible

to adverse developments affecting a single project or market segment than more broadly diversified investments.

#### 5.11 Non-Regulated Markets risk and OTC risk

Some Dedicated Funds may invest in securities of issuers in countries whose markets do not qualify as regulated markets due to their economic, legal or regulatory structure.

Some Dedicated Funds are exposed to counterparty risks associated to counterparties with which, or brokers and dealers through which, they deal, when they engage in OTC transactions. In the case of insolvency or failure of any such party, such a Dedicated Funds might recover, even in respect of property specifically traceable to it, only a pro rata share of all property available for distribution to all of such party's creditors and/or customers. Such an amount may be less than the amounts owed to the Dedicated Funds. Furthermore, Investments in OTC transaction or derivatives may have limited secondary markets liquidity and it may be difficult to assess the value of such a position and its exposure to risk.

#### 5.12 Credit risk

Credit risk, a fundamental risk relating to all fixed income securities as well as money market instruments, is the chance that an issuer will fail to make principal and interest payments when due.

Issuers with higher credit risk typically offer higher yields for this added risk. Conversely, issuers with lower credit risk typically offer lower yields. Generally, government securities are considered to be the safest in terms of credit risk, while corporate debt, especially those with poorer credit ratings, have the highest credit risk. Changes in the financial condition of an issuer, changes in economic and political conditions in general, or changes in economic and political conditions specific to an issuer, are all factors that may have an adverse impact on an issuer's credit quality and security values.

#### 5.13 Liquidity risk

Some markets, on which Dedicated Fund may invest, may prove at time to be insufficiently liquid or illiquid. This affects the market price of such a Dedicated Fund's securities and therefore its Net Asset Value.

Potential investors should also note that some investments may not be liquid investments. In some cases, a decision to unwind a portfolio may not be the most efficient option to meet the Dedicated Fund's liquidity needs.

In addition, some investments are considered to be "long term investments", consequently investors should notice that in certain cases, several years may be required before a realization of value is achieved. Realization of value in the short-term may be difficult or may have to be made at a substantial discount compared to its expected long term return.

Furthermore, there is a risk that, because of a lack of liquidity on certain investments and lack of efficiency in certain markets or unusual high volumes of repurchase requests or other reason, Dedicated Funds may experience some difficulties in purchasing or selling

holdings of securities and, therefore, meeting subscriptions and redemptions in the time scale indicated in the Offering document.

In such circumstances, the Board of Directors may, in accordance with the Company's Articles of Incorporation and in the investors' interest, suspend subscriptions and redemptions or extend the settlement timeframe.

#### 5.14 Asset-back Securities risk

Some Dedicated Funds may invest in asset-backed securities (ABS) which are securities (notes or bonds) that are issued with a structure that repayment is intended to be obtained from the cash flow generated by an identified (and secured / collateralized) pool of assets representing consumer financing, loans or insurance policies.

Issuers of asset-backed securities may have limited ability to enforce the security interest in the underlying assets, and credit enhancements provided to support the securities, if any, may be inadequate to protect investors in the event of default.

Asset-backed securities are subject to prepayment, extension risks and counterparty risks:

- The Dedicated Fund may receive unscheduled prepayments of principal before the security's maturity date due to voluntary prepayments, refinancing or foreclosure on the underlying asset. To the Dedicated Fund this means a loss of anticipated interest, and a portion of its principal investment represented by any premium the Dedicated Fund may have paid. Prepayments generally increase when interest rates fall,
- Asset-backed securities are also subject to extension risk. An unexpected rise in interest rates could reduce the rate of prepayments on asset-backed securities and extend their life. This could cause the price of the asset-backed securities to be more sensitive to interest rate changes,
- Asset-backed securities, underlying a pool of consumer's engagements, there is a risk that one or several parties / consumers in the pool will default. The risk is therefore associated with the financial stability of such parties / consumers. In the case of insolvency or failure of several parties, such a Dedicated Fund might recover only a pro rata of all prepayments available in the pool. Such an amount may be less than the amounts owed to the Dedicated Fund.

#### 5.15 Credit-linked Securities risk

Credit-linked securities are debt securities that represent an interest in a pool of, or are otherwise collateralised by one or more corporate debt obligations or credit default swaps incorporated debt or bank loan obligations. Such debt obligations may represent the obligations of one or more corporate issuers. The Dedicated Fund has the right to receive periodic interest payments from the issuer of the credit-linked security (usually the seller of the underlying credit default swap(s)) at an agreed-upon interest rate, and a return of principal at the maturity date.

The Dedicated Fund bears the risk of loss of its principal investment, and the periodic interest payments expected to be received for the duration of its investment in the credit-linked security, in the event that one or more of the debt obligations underlying the credit default swaps go into default or otherwise become non-performing. Upon the occurrence of such a credit event (including bankruptcy, failure to timely pay interest or principal, or a restructuring), the Dedicated Fund affected will generally reduce the principal balance of the related credit-linked security by the Dedicated Fund's pro rata interest in the par amount of the defaulted underlying debt obligation in exchange for the actual value of the defaulted underlying obligation or the defaulted underlying obligation itself, resulting in a loss of a portion of the Dedicated Fund's investment. Thereafter, interest on the credit-linked security will accrue on a smaller principal balance and a smaller principal balance will be returned at maturity. To the extent a credit-linked security represents an interest in underlying obligations of a single corporate or other issuer, a credit event with respect to such issuer presents greater risk of loss to a Dedicated Fund than if the credit-linked security represented an interest in underlying obligations of multiple issuers.

In addition, the Dedicated Fund bears the risk that the issuer of the credit-linked security will default or become bankrupt. In such an event, the Dedicated Fund may have difficulty being repaid, or fail to be repaid, the principal amount of its investment and the remaining periodic interest payments thereon.

An investment in credit-linked securities also involves reliance on the counterparty to the credit default swap entered into with the issuer of the credit-linked security to make periodic payments to the issuer under the terms of the swap. Any delay or cessation in the making of such payments may be expected in certain instances to result in delays or reductions in payments to the Dedicated Fund as an investor in such credit-linked securities. Additionally, credit-linked securities are typically structured as limited recourse obligations of the issuer of such securities such that the securities issued will usually be obligations solely of the issuer and will not be obligations or responsibilities of any other person.

Most credit-linked securities are structured as U.S. Rule 144A securities so that they may be freely traded among institutional buyers. A Dedicated Fund will generally only purchase credit-linked securities, which are determined to be liquid in accordance with the Dedicated Fund's liquidity guidelines. However, the market for credit-linked securities may suddenly become illiquid. The other parties to the transaction may be the only investors with sufficient understanding of the derivative to be interested in bidding for it. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for credit-linked securities. In certain cases, a market price for a credit-linked security may not be available or may not be reliable, and the Dedicated Fund could experience difficulty in selling such security at a price the Investment Manager believes is fair.

The value of a credit-linked security will typically increase or decrease with any change in value of the underlying debt obligations, if any, held by the issuer and the credit default swap. Further, in cases where the credit-linked security is structured such that the payments to the Dedicated Fund are based on amounts received in respect of, or the value of performance of, any underlying debt obligations specified in the terms of the

relevant credit default swap, fluctuations in the value of such obligation may affect the value of the credit-linked security.

#### 5.16 Defaulted Debt Securities risk

Some Dedicated Funds may invest in debt securities on which the issuer is not currently making interest payments (defaulted debt securities). These Dedicated Funds may buy defaulted debt securities if, in the opinion of the Investment Manager, it appears likely that the issuer may resume interest payments or other advantageous developments appear likely in the near future. These securities may become illiquid.

The risk of loss due to default may also be considerably greater with lower-quality securities because they are generally unsecured and are often subordinated to other creditors of the issuer. If the issuer of a security in a Dedicated Fund's portfolio defaults, the Dedicated Fund may have unrealised losses on the security, which may lower the Dedicated Fund's Net Asset Value per Share. Defaulted securities tend to lose much of their value before they default. Thus, the Dedicated Fund's Net Asset Value per Share may be adversely affected before an issuer defaults. In addition, the Dedicated Fund may incur additional expenses if it must try to recover principal or interest payments on a defaulted security.

Included among the issuers of debt securities or obligations in which the Fund may invest are entities organised and operated solely for the purpose of restructuring the investment characteristics of various securities or obligations. These entities may be organised by investment banking firms, which receive fees in connection with establishing each entity and arranging for the placement of its securities.

#### 5.17 Concentration risk

The Dedicated Funds may invest a relatively high percentage of its assets in securities of a limited number of issuers or industries or in loans syndicated by companies in the commercial banking, thrift banking, insurance and finance industries. As a result of this concentration of its assets, the Dedicated Funds are subject to certain risks associated to such companies, both individually and as a group.

#### 5.18 Low-Rated Security risk

The Dedicated Funds may invest in higher-yielding securities rated lower than investment grade. Accordingly, an investment in these Dedicated Funds is accompanied by a higher degree of credit risk. Below investment grade securities such as, for example, high yield debt securities, may be considered a high risk strategy and can include securities that are unrated and/or in default. Lower-quality, higher-yielding securities may also experience greater price volatility when compared to higher-quality, lower-yielding securities. Additionally, default rates tend to rise for companies with poorer rated securities during economic recessions or in times of higher interest rates.

#### 5.19 Small and Mid-Sized Companies risk

The stock prices of small and mid-sized companies can perform differently than larger, more recognised, companies and have the potential to be more volatile. A lower degree of liquidity in their securities, a greater sensitivity to changes in economic conditions and interest rates, and uncertainty over future growth prospects may all contribute to such

increased price volatility. Additionally, smaller companies may be unable to generate new funds for growth and development, may lack depth in management, and may be developing products in new and uncertain markets all of which are risks to consider when investing in such companies. With regards to bonds issued by small and mid-sized companies there is a risk higher that such parties will default. The counterparty risk is therefore associated with the financial stability of such parties. In the case of insolvency or failure of such parties, the Dedicated Fund might not recover, or only a pro rata of, its investments.

#### 5.20 Private Equity and Unquoted Companies risk

The stock prices of unquoted and private equity companies can perform differently than larger, more recognised, companies and have the potential to be more volatile. A lower degree of, or no liquidity in their securities/assets, a greater sensitivity to changes in economic conditions and interest rates, and uncertainty over future growth prospects may all contribute to such increased price volatility. Additionally, these companies may be unable to generate new funds for growth and development, may lack depth in management, may be developing products in new and uncertain markets, and may be difficult to value all of which are risks to consider when investing in such companies.

#### 5.21 Commodities risk

Investments in commodities may subject the Fund to greater volatility than investments in traditional securities. The value of commodities may be affected by changes in overall market movements, supply and demand, commodity index volatility, forward selling by the various commodities producers, purchases made by the commodities' producers to unwind their hedge positions, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. The Fund may concentrate its assets in a particular sector of the commodities market (such as oil, metal or agricultural products). As a result, the Fund may be more susceptible to risks associated with those sectors.

#### 5.22 Particular Swap Agreements risk

The Fund may enter into interest rate, index and currency exchange rate swap agreements for the purposes of attempting to obtain a particular desired return at a lower cost to the Fund than if the Fund had invested directly in an instrument that yielded that desired return. Swap agreements are two party contracts entered into primarily by institutional investors for periods ranging from a few days to more than one year. In a standard "swap" transaction, two parties agree to exchange the returns (or differential in rates of return) earned or realised on particular predetermined investments or instruments. The gross returns to be exchanged or "swapped" between the parties are calculated with respect to a "notional amount", i.e., the return on or increase in value of a particular US dollar amount invested at a particular interest rate, in a particular foreign currency, or in a "basket" of securities representing a particular index. The "notional amount" of the swap agreement is only a fictive basis on which to calculate the obligations which the parties to a swap agreement have agreed to exchange. The Fund's obligations (or rights) under a swap agreement will generally be equal only to the net amount to be paid or received under the agreement based on the relative values of the

positions held by each party to the agreement (the "net amount"). The Fund's obligations under a swap agreement will be accrued daily (offset against any amounts owing to the Fund) and any accrued but unpaid net amounts owed to a swap counterparty will be covered by the maintenance of a segregated account consisting of cash, United States of America government securities, or high grade debt obligations, to avoid any potential leveraging of the Fund's portfolio.

Whether the Fund's use of swap agreements will be successful in furthering its investment objective will depend on the ability of the Investment Managers to correctly predict whether certain types of investments are likely to produce greater returns than other investments. Because they are two party contracts and because they may have terms of greater than seven calendar days, swap agreements may be considered to be illiquid. Moreover, the Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. The Investment Managers will cause the Fund to enter into swap agreements only with counterparties that would be eligible for consideration as repurchase agreement counterparties under the Fund's repurchase agreement guidelines.

## **6. MANAGEMENT OF THE FUND**

### **6.1 BOARD OF DIRECTORS OF THE FUND**

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

The Board of Directors is responsible for finally approving the investment or divestment recommendations if and as further described in the relevant Appendix of this Offering document.

There are no existing or proposed service contracts between any of the Directors and the Fund, although the Directors are entitled to receive remuneration in accordance with usual market practice.

### **6.2 GLOBAL INVESTMENT MANAGER**

The Fund has appointed KMG Capital Markets Luxembourg S.A. to act as global investment manager and make, subject to the overall control and ultimate responsibility of the Fund, discretionary investments with respect to the investment and reinvestment of the assets of each Dedicated Fund, or provides recommendations to the Board of Directors for final approval if and as further described in the relevant Appendix of this Offering document.

The Global Investment Manager makes the investment decisions for each Dedicated Fund and places purchase and sale orders for the Dedicated Fund's transactions, executes or delegates execution to the relevant Investment Advisor of the investment decisions finally approved by the Board of Directors if and as further described in the relevant Appendix of this Offering document. As permitted by applicable laws, these orders may be directed to brokers.

Subject to its overall responsibility, control, and supervision, the Global Investment Manager may appoint Investment Advisors to provide day-to-day investment recommendations, for instance, relating to the asset allocation between the permitted investment instruments regarding the Dedicated Funds' transactions. The Global Investment Manager of the Fund is not obliged to follow these recommendations.

The Global Investment Manager will be paid by the Fund as it is established between them.

The names of the Investment Advisors, as well as the commission to which they are entitled are further described in each Dedicated Fund relevant Appendix. Unless otherwise provided, this commission is expressed as a percentage of the average gross asset value.

Finally and in very specific cases only, subject to the prior consent of the Board of Directors and to its overall responsibility, control, and supervision, the Global Investment Manager may and with the prior approval of the Fund, delegate the management of other investment strategies relating to any Dedicated Fund to an Investment Manager.

### 6.3 CUSTODIAN and PRINCIPAL PAYING AGENT

Under a custodian agreement dated 4<sup>th</sup> June 2008, KBL European Private Bankers S.A. (in such capacity, the "Custodian") has undertaken to provide depositary bank and custody services for the Fund's assets.

KBL European Private Bankers S.A. is a credit institution registered with the Luxembourg Company Register (RCS) under number B-6395 and has been incorporated on 23<sup>rd</sup> May 1949. It is licensed to carry out banking activities under the terms of the Luxembourg law of 5<sup>th</sup> April 1993 on the financial services sector and specialises in custody, fund administration and related services.

The Custodian is responsible for the general supervision of the assets of the Fund and the custody of the assets entrusted to it. For the custody of the assets entrusted to it, the Custodian may appoint correspondents, which shall, in such instance, be selected under its responsibility with professional care and in good faith, amongst professional service providers duly authorised to carry out their functions in the relevant jurisdictions.

In consideration for its services, the Custodian shall be paid a fee as determined from time to time in the Custodian Agreement. The Custodian Agreement may be terminated by either the Fund or the Custodian upon 90 calendar days' prior written notice.

In any case the Custodian will have to be replaced within two (2) months from its voluntary withdrawal or from its removal by the Fund. The Custodian shall continue its activities until the Fund's assets have been transferred to the new depositary bank.

The fees and charges of the Custodian are borne by the Fund in accordance with common practice in Luxembourg.

### 6.4 DOMICILIARY, ADMINISTRATIVE, REGISTRAR AND TRANSFER AGENT

Pursuant to the Domiciliary Agency and Administrative Agency Agreements dated 27<sup>th</sup> February 2009 KREDIETRUST LUXEMBOURG S.A. was appointed as Domiciliary Agent to the Fund in Luxembourg and as Administrative Agent. These agreements are made for an unlimited duration and may be determined by a 90 calendar day's prior written notice by either party. The fees for these services are charged in accordance with generally accepted standards.

Pursuant to the Registrar and Transfer Agency Agreement dated 4<sup>th</sup> June 2008, KREDIETRUST LUXEMBOURG S.A. was also appointed as Registrar Agent to the Fund in Luxembourg and as Transfer Agent. This agreement is made for an unlimited duration and may be determined by a 90 calendar day's prior written notice by either party. The fees for these services are charged in accordance with generally accepted standards.

As Registrar and Transfer Agent, KREDIETRUST LUXEMBOURG S.A. is responsible for the processing of the issue (registration) and redemption of the Shares and settlement arrangements thereof. The Registrar and Transfer Agent will, with the assistance of the Fund, ensure that Shareholders are Eligible Investors within the meaning of the Law of 2007.

The fees and charges of the Registrar and Transfer Agent are borne by the Fund in accordance with common practice in Luxembourg.

KREDIETRUST LUXEMBOURG S.A. in its position as Administrative and Registrar and Transfer Agent has charged, under its entire responsibility, the European Fund Administration (« EFA ») société anonyme, established in Luxembourg, with the fulfilment of those duties.

## **7. CONFLICTS OF INTEREST**

Potential investors should be aware that there may be situations in which each and any of the Directors, the Global Investment Manager, any Investment Advisors or Investment Managers could encounter a conflict of interest in connection with the Fund. In particular, potential investors should be aware of the following:

Certain Directors, Investment Managers, Investment Advisors and/or Intermediaries of the Fund may control, directly or indirectly, entities in which they may have a financial or managerial interest (an "Affiliated Company"). Such Affiliated Company may be entitled to receive a portion, or all, of the brokerage commissions, transaction charges, advisory fees or investment management fees paid by the Fund during the course of its day-to-day business. Such Affiliated Company may be in conflict of interest with, respectively, the Director, Investment Managers, Investment Advisors and/or Intermediaries duty to act for the benefit of the Shareholders in limiting expenses of the Fund, and their interest in receiving such fees and/or commissions.

The Global Investment Manager, any Investment Advisors or Investment Managers may advise or make, as the case may be, investments for other clients without making the same available to the Fund where, in regard to its obligations under the contractual

agreement, the Global Investment Manager, any Investment Advisors or Investment Managers consider that it is acting in the best interests of the Fund, so far as reasonably practicable having regard to its obligations to other clients.

The Global Investment Manager, any Investment Advisors or Investment Managers, any of their directors, officers, employees, agents and affiliates and the Directors of the Fund and any person or company with whom they are affiliated or by whom they are employed (each an Interested Party) may be involved in other financial, investment or other professional activities including in connection with the underlying Funds which may cause conflicts of interest with the Fund. Furthermore, Interested Parties may provide services similar to those provided to the Fund to other entities and will not be liable to account for any profit earned from any such services; also an Interested Party may acquire investments in which the Fund may invest on behalf of clients. Furthermore, when the Global Investment Manager, any Investment Advisors or Investment Managers allocate or propose to allocate an investment into a fund which is also managed by it, it may collect a management charge on such investments in addition to its fees set out in this Offering document.

The Fund may acquire securities from or dispose of securities to any Interested Party or any investment fund or account advised or managed by any such person. An Interested Party may provide professional services to the Fund or hold Shares and buy, hold and deal in any investments for their own accounts notwithstanding that similar investment may be held by the Fund. An Interested Party may contract or enter into any financial or other transaction with any Shareholder or with any entity any of whose securities are held by or for the account of the Fund, or is interested in any such contract or transaction. Furthermore, any Interested Party may receive commissions to which it or he is contractually entitled in relation to any sale or purchase of any investments of the Fund effected by it for the account of the Fund, provided that each case the terms are no less beneficial to the Fund than a transaction involving a disinterested party and any commission is in line with market practice.

## **8. MONEY LAUNDERING PREVENTION**

Pursuant to the Luxembourg law of 12<sup>th</sup> November 2004 relating to the prevention of money laundering and terrorist financing, and the CSSF circular 05/211, as amended from time to time, obligations have been imposed on all professionals of the financial sector to prevent the use of undertakings for collective investment for money laundering purposes and terrorist financing purposes. Within this context a procedure for the identification of Shareholders has been imposed requiring each non-individual Shareholders to provide certified copies of its articles of incorporation and, where applicable, an extract from the commercial register and/or such other evidence of identification as may be required. Shareholders who are individuals must provide certified copies of their identity card or a valid passport and/or such other evidence of identification as may be required. Failure to provide proper documentation may result in a rejection of the subscription or the withholding of redemption proceeds.

This identification procedure must be complied with by EFA, under the responsibilities of KREDIETRUST LUXEMBOURG S.A., acting as Transfer Agent in the case of direct subscriptions to a Dedicated Fund, and in the case of subscriptions received by the Dedicated 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 Luxembourg laws for the prevention of money laundering and terrorist financing. It is generally accepted that professionals of the financial sector resident in a country that has ratified the conclusions of the Financial Action Task Force (Groupe d'Action Financière) are deemed to be intermediaries having an identification obligation equivalent to that required under Luxembourg law.

## **9. RESTRICTION OF THE OWNERSHIP OF SHARES**

### **Subscription for Shares is restricted to Eligible Investors.**

The Board of Directors may restrict or place obstacles in the way of the ownership of Shares in the Fund by any person if the Fund considers that this ownership involves a violation of the Laws of the Grand-Duchy or abroad, or may involve the Fund in being subject to taxation in a country other than the Grand-Duchy or may in some other manner be detrimental to the Fund.

To that end, the Board of Directors may:

- a) decline to issue any Shares and decline to register any transfer of Shares when it appears that such issue or transfer might or may have as a result the allocation of ownership of the Shares to a person who is not authorised to hold Shares in the Fund;
- b) proceed with the compulsory redemption of all the relevant Shares if it appears that a person who is not authorised to hold such Shares in the Fund, either alone or together with other persons, is the owner of Shares in the Fund, or proceed with the compulsory redemption of any or a part of the Shares, if it appears to the Fund that one or several persons is or are owner or owners of a proportion of the Shares in the Fund in such a manner that this may be detrimental to the Fund. The following procedure shall be applied:
  - 1 the Board of Directors shall send a notice (hereinafter called the "redemption notice") to the relevant Investor possessing the Shares to be redeemed; the redemption notice shall specify the Shares to be redeemed, the price to be paid, and the place where this price shall be payable. The redemption notice may be sent to the Investor by recorded delivery letter to his last known address. The Investor in question shall be obliged without delay to deliver to the Fund the certificate or certificates, if there are any, representing the Shares to be redeemed specified in the redemption notice. From the closing of the offices on the day specified in the redemption notice, the Investor shall cease to be the owner of the Shares specified in the redemption notice and the certificates representing these Shares shall be rendered null and void in the books of the Fund;

- 2 the price at which the Shares specified in the redemption notice shall be redeemed (the "Redemption Price") shall in such instances be equal to the then prevailing Net Asset Value as of the next applicable Valuation Day. However, the Board of Directors may, in its entire discretion, change the redemption price as explained below in the section dedicated to the redemption of Shares. Payment of the redemption price will be made to the owner of such Shares in the reference currency of the relevant Dedicated Fund, except during periods of exchange restrictions, and will be deposited by the Fund with a bank in Luxembourg or elsewhere (as specified in the purchase notice) for payment to such owner upon surrender of the Share certificate or certificates, if issued, representing the Shares specified in such notice. Upon deposit of such redemption price as aforesaid, no person interested in the Shares specified in such redemption notice shall have any further interest in such Shares or any of them, or any claim against the Fund or its assets in respect thereof, except the right of the Shareholders appearing as the owner thereof to receive the price so deposited (without interest) from such bank upon effective surrender of the Share certificate or certificates, if issued, as aforesaid. The exercise by the Fund of this power shall not be questioned or invalidated in any case, on the grounds that there was insufficient evidence of ownership of Shares by any person or that the true ownership of any Shares was otherwise than appeared to the Fund at the date of any purchase notice, provided that in such case the said powers were exercised by the Fund in good faith.
- c) refuse, during any general meeting of Shareholders, the right to vote of any person who is not authorised to hold Shares in the Fund.

## 10. **SHARES**

The Fund is one single entity; however, the right of investors and creditors regarding a Dedicated Fund or raised by the constitution, operation or liquidation of a Dedicated Fund are limited to the assets of this Dedicated Fund, and the assets of a Dedicated Fund will be answerable exclusively for the rights of the Shareholders relating to this Dedicated Fund and for those of the creditors whose claim arose in relation to the constitution, operation or liquidation of this Dedicated Fund. In the relations between the Fund's Shareholders, each Dedicated Fund is treated as a separate entity. The assets, commitments, charges and expenses that cannot be allocated to one specific Dedicated Fund will be charged to the different Dedicated Funds pro rata to their respective net assets, if appropriate due to the amounts considered.

The net proceeds from the subscription are invested in the specific portfolio of assets constituting the relevant Dedicated Fund.

The Fund shall issue Shares in registered form.

The inscription of the Shareholder's name in the register of Shares evidences his or her right of ownership of such registered Shares. A confirmation of shareholding will be delivered upon request.

Fractions of registered Shares will be issued to one thousandth of a Share.

Shares do not carry any preferential or pre-emptive rights and each Share, irrespective of the Class or Category to which it belongs or its Net Asset Value, is entitled to one vote at all general meetings of Shareholders. Fractions of Shares are not entitled to a vote, but are entitled to participate in the liquidation proceeds. Shares are issued without par value and must be fully paid for on subscription.

The currency in which each Dedicated Fund is denominated is the reference currency (the "Reference Currency").

The currency in which the Classes or Categories of Shares are denominated may differ from the Reference Currency of the relevant Dedicated Fund. The Fund, at the expense of the relevant Class or Category of Shares, use instruments such as forward currency contracts to hedge the exposure of the investments denominated in other currencies than the currency in which the relevant Class or Category of Shares is denominated.

The Shares in any Dedicated Fund shall be issued without par value. Details regarding the Classes or Categories of Shares available per Dedicated Fund and their features are disclosed in the Appendices below.

The board of Directors of the Fund may decide to create further Classes or Categories of Shares with different characteristics, and in such cases, this Offering document will be updated accordingly.

The Board of Directors will not issue or give effect to any transfer of Shares of the Fund to any investor who may not be considered as Well Informed Investor. The Board of Directors may, at its discretion, delay the acceptance of any subscription until such date as it has received sufficient evidence on the qualification of the investor as Well Informed Investor. If it appears at any time that a Shareholder of a Class or Category is not a Well Informed Investor, the Board of Directors will redeem the relevant Shares.

The Board of Directors will refuse the issue of Shares or the transfer of Shares, if there is not sufficient evidence that the person or company to which the Shares are sold or transferred is a Well Informed Investor. In considering the qualification of a subscriber or a transferee as a Well Informed Investor, the Board of Directors will have due regard to the guidelines or recommendations (if any) of the competent supervisory authorities.

Well Informed Investors subscribing in their own name, but on behalf of a third party, must certify to the Board of Directors that such subscription is made on behalf of a Well Informed Investor as aforesaid and the Board of Directors may require evidence that the beneficial owner of the Shares is a Well Informed Investor.

Furthermore, the Fund may (i) reject in whole or in part at its discretion any application for Shares or (ii) repurchase at any time the Shares held by Shareholders who are excluded from purchasing or holding Shares, in which case subscription monies paid, or the balance thereof, as appropriate, will normally be returned to the applicant within five (5) Business Days thereafter, provided such subscription monies have been cleared.

In the event that the Board of Directors gives notice of a compulsory redemption for any of the reasons set forth above to a Shareholder, such Shareholder shall cease to be entitled to the Shares specified in the redemption notice immediately after the close of business on the date specified therein.

## **11. SUBSCRIPTION OF SHARES**

Applications for Shares may be made on any Business Day. Investors whose applications are received by the Registrar and Transfer Agent before the appropriate dealing cut-off time, as more fully described for each Dedicated Fund in the relevant Appendix below, will be allotted Shares at a price corresponding to the Net Asset Value per Share as of the relevant Valuation Day (the "Subscription Price"). Unless otherwise specified in the Appendices below, subscription fees may be charged on the subscription of Shares in favour of the Global Investment Manager and/or the intermediaries involved in the offering of Shares. Furthermore, each Dedicated Fund may decide to publish the net offer price, which corresponds to the Net Asset Value per Share as of the relevant Valuation Day net of the applicable subscription fee of each Class or Category, as more fully described in the relevant Appendix below (the "Offer price"). The Net Asset Value per Share of each Class or Category on a particular Valuation Day will be available before the next applicable Valuation Day.

Instructions for the subscription of Shares may be made by fax or by post. Applications for subscription should contain the following information (if applicable): the identity, address of the Shareholder requesting the subscription, the relevant Dedicated Fund, ISIN code (if any), the relevant Class or Category, the number of Shares or currency amount to be subscribed and confirmation in writing that the applicant adheres to the status of Well-Informed Investor (except for institutional or professional investors). All necessary documents to fulfil the subscription should be enclosed with such application.

Any new subscriber may have to apply for a minimum holding amount as more fully described for each Dedicated Fund in the relevant Appendix below. Such minimum may be reached by combining investments in various Dedicated Funds. However, the Fund may authorise a new subscriber to apply for Shares amounting to a sum that is less than the minimum initial investment or the equivalent in the reference currency of the relevant Dedicated Fund from time to time.

Confirmation statements will be mailed or e-mailed to subscribers or their banks by the Fund not later than five (5) Business Days from the date of settlement of the subscription price at the risk of the Shareholder.

Payment shall be made in the Reference Currency of the Dedicated Fund or, if applicable, in the denomination currency of the relevant Class or Category as disclosed in the Appendices below in the form of electronic bank transfer net of all bank charges (except where local banking practices do not allow electronic bank transfers) to the order of the Custodian on the date the Net Asset Value of the allotted Shares is available. Shares will only be allotted upon receipt of notification from the Custodian

that an authenticated electronic funds transfer advice or SWIFT message has been received provided that the transfer of money has been made in strict accordance with the instructions given in the electronic funds transfer form.

In the case of suspension of dealings in Shares, the subscription will be dealt with on the first Valuation Day following the end of such suspension period.

The Fund may agree to issue Shares as consideration for a contribution in kind of appraisable assets to any Shareholder who agrees, in compliance with the conditions set forth by Luxembourg law, in particular the obligation to deliver a valuation report from the auditor of the Fund ("réviseur d'entreprises agréé") which shall be available for inspection, and provided that such securities comply with the investment objectives and policies of the relevant Dedicated Fund. Any costs incurred in connection with a contribution in kind of appraisable assets shall be borne by the relevant Shareholder.

The Fund may, at any time at its discretion, temporarily discontinue, cease definitely or limit the issue of Shares for a definite Dedicated Fund or to persons or corporate bodies residing or established in certain countries or territories. The Fund may also prohibit certain persons or corporate bodies from acquiring Shares if such a measure is necessary for the protection of the Fund or any Dedicated Fund, the Shareholder of the Fund or any Dedicated Fund.

## **12. REDEMPTION OF SHARES**

Unless otherwise described for each Dedicated Fund in the relevant Appendix (including any lock-up period as defined therein) below, Shareholders may request redemption of their Shares on any Business Day.

Application for redemption must be made in writing to the registrar and transfer agent. Investors whose applications for redemption are received by the registrar and transfer agent before the appropriate dealing cut-off time, as more fully described for each Dedicated Fund in the relevant Appendix below, will have their Shares redeemed at a price corresponding to the Net Asset Value per Share as of the relevant Valuation Day (the "Redemption Price").

If, due to an application for redemption, a Shareholder would hold less than the minimum holding amount, described for each Dedicated Fund in the relevant Appendix below, the Board of Directors may decide to compulsorily redeem the entire amount of the Shares, on behalf of such Shareholder.

Unless otherwise specified in the Appendices below, redemption fees may be charged on the redemption of Share in favour of the Global Investment Manager and/or the intermediaries involved in the offering of Shares.

Furthermore, each Dedicated Fund may decide to publish the net bid price, which corresponds to the Net Asset Value per Share as of the relevant Valuation Day net of the applicable redemption fee of each Class or Category, as more fully described in the relevant Appendix below (the "Bid price"). The Net Asset Value per Share of each

Class or Category on a particular Valuation Day will be available before the next applicable Valuation Day.

The Fund shall ensure that an appropriate level of liquidity is maintained in each Dedicated Fund so that, under normal circumstances, repurchase of Shares of a Dedicated Fund may be made by the Valuation Day.

If on any Valuation Day redemption requests relate to more than 10%, or any lower percentage as further described in the relevant Appendix of this Offering document of the Shares in issue in a specific Class or Category or Dedicated Fund, the Fund may decide that part or all of such requests for repurchase will be deferred for such period as the Fund considers to be in the best interests of the Dedicated Fund. On the next Valuation Day following such period, these repurchase requests will be met in priority to later requests.

The repurchase price may, depending on the Net Asset Value per Share applicable on the date of repurchase, be higher or lower than the price paid at the time of subscription.

Instructions for the redemption of Shares may be made by fax or by post. Applications for redemption should contain the following information (if applicable): the identity and address and register number of the Shareholder requesting the redemption, the relevant Dedicated Fund, the relevant Class or Category, the number of Shares or currency amount to be redeemed, the name in which such Shares are registered and full payment details, including name of recipient, bank and account number. All necessary documents to fulfil the redemption should be enclosed with such application.

Redemption requests must be accompanied by a document evidencing authority to act on behalf of such Shareholder or power of attorney which is acceptable in form and substance to the Fund. Redemption requests made in accordance with the foregoing procedure shall be irrevocable, except that a Shareholder may revoke such request in the event that it cannot be honoured for any of the reasons specified in this Offering document.

Upon instruction received from the Fund, payment of the redemption price will be made by the Custodian or its agents not later than five (5) Business Days counting from and including the date on which the Net Asset Value of the redeemed Shares is available. Payment for such Shares will be made in the Reference Currency of the relevant Dedicated Fund or, if applicable, in the denomination currency of the relevant Class or Category as disclosed in the Appendices.

The Fund may, at the request of a Shareholder, agree to make, in whole or in part, a payment in-kind of appraisable assets of the Dedicated Fund to that Shareholder in lieu of paying to that Shareholder redemption proceeds in cash. The total or partial in-kind payment of the redemption proceeds may only be made (i) with the consent of the relevant Shareholder which consent may be indicated in the Shareholder's application form or otherwise and (ii) by taking into account the fair and equal treatment of the interests of all Shareholders. In addition, in-kind payments of the redemption proceeds will only be made provided that the Shareholders who receive the in-kind payments are legally entitled to receive and dispose of the redemption proceeds for the redeemed

Shares of the relevant Dedicated Fund. In the event of an in-kind payment, the costs of any transfers of appraisable assets to the redeeming Shareholder shall be borne by that Shareholder. To the extent that the Fund makes in-kind payments in whole or in part, the Fund will undertake its reasonable efforts, consistent with both applicable law and the terms of the in-kind appraisable assets being distributed, to distribute such in-kind appraisable assets to each redeeming Shareholder pro rata on the basis of the redeeming Shareholder's Shares of the relevant Dedicated Fund.

### **13. CONVERSION OF SHARES**

Unless otherwise specified in the Appendices, Shareholders are entitled to convert all or part of their Shares of a particular Class or Category into Shares of other Class(es) or Category(ies) of Shares (as far as available) within the same Dedicated Fund or Shares of the same or different Classes or Categories of Shares (as far as available) of another Dedicated Fund.

However, in order to avoid Ineligible Investors in one Class, Shareholders should note that they cannot convert Shares of one Class in a Dedicated Fund to Shares of another Class in the same or a different Dedicated Fund without the prior approval of the Board of Directors.

Shareholders who wish to convert all or part of their Shares must submit an application by fax, telex, or by post to the registrar and transfer agent, specifying the Dedicated Fund, the Class or Category or Dedicated Funds and Classes or Categories concerned and the number of Shares they wish to convert.

Application for conversion may be refused if such conversion would result in the investor having an aggregate residual holding, in either Class, of less than the minimum holding amount indicated for each Class of Shares in the Appendices.

Instructions for the conversion / switching of Shares may be made by fax, telex or by post. Applications for conversion / switches should contain the following information (if applicable): the identity, address of the Shareholder requesting the conversion, the relevant Dedicated Fund, ISIN code (if any) of the conversion-in Fund as well as the ISIN (if any) of the conversion-out Fund, the relevant Class or Category, the number of Shares or currency amount to be switched / converted. All necessary documents to fulfil the switch should be enclosed with such application.

A conversion of Shares of a particular Class or Category of one Dedicated Fund for Shares of another Class or Category in the same Dedicated Fund and/or for Shares of the same or different Class or Category in another Dedicated Fund will be treated as a redemption of Shares and a simultaneous purchase of Shares of the acquired Class or Category and/or Dedicated Fund. A converting Shareholder may, therefore, realise a taxable gain or loss in connection with the conversion under the laws of the country of the Shareholder's citizenship, residence or domicile.

All terms and conditions regarding the redemption of Shares shall equally apply to the conversion of Shares.

Investors whose applications for conversion are received by the registrar and transfer agent before the appropriate dealing cut-off time, as more fully described for each Dedicated Fund in the relevant Appendix below, will have their Shares converted on the basis of the respective Net Asset Value of the relevant Shares as of the applicable Valuation Day. The Net Asset Value of the relevant Shares on a particular Valuation Day will be available before the next applicable Valuation Day of such Shares.

The price at which Shares shall be converted will be determined by reference to the respective Net Asset Value of the relevant Shares of the relevant Class or Category of Shares or Dedicated Fund calculated on the relevant Valuation Day, taking into account the actual rate of exchange on the day concerned.

If the Valuation Day of the Class or Category of Shares or Dedicated Fund taken into account for the conversion does not coincide with the Valuation Day of the Class or Category of Shares or Dedicated Fund into which they shall be converted, the Shareholders' attention is drawn to the fact that the amount converted will not generate interest during the time separating the two Valuation Days.

Unless otherwise specified in the Appendices below, a conversion fee may be charged on the conversion of Shares.

The rate at which all or part of the Shares in a given Dedicated Fund (the "Original Dedicated Fund") are converted into Shares in another Dedicated Fund (the "New Dedicated Fund"), or all or part of the Shares of a particular Class or Category of Shares (the "Original Class") are converted into another Class or Category of Shares within the same or another Dedicated Fund (the "New Class") is determined in accordance with the following formula:

$$\frac{A = B \times C \times E}{D}$$

where:

A is the number of Shares to be allocated in the New Dedicated Fund or New Class;

B is the number of Shares of the Original Dedicated Fund or Original Class which is to be converted;

C is the Net Asset Value per Share of the Original Class or the relevant Class or Category of Shares within the Original Dedicated Fund at the relevant Valuation Day;

D is the Net Asset Value per Share of the New Class or the relevant Class or Category of Shares within the New Dedicated Fund at the relevant Valuation Day; and

E is the actual rate of exchange on the day concerned applied to conversions between Dedicated Funds or Classes or Categories of Shares denominated in different currencies, and is equal to 1 in relation to conversions between Dedicated Funds or Classes or Categories of Shares denominated in the same currency.

After conversion of the Shares, the Custodian will inform the Shareholder of the number of Shares of the New Dedicated Fund or New Class obtained by conversion and the price thereof.

## **14. LATE TRADING AND MARKET TIMING**

### **14.1 Late trading**

The Fund determines the price of its Shares on a forward basis. This means that it is not possible to know in advance the Net Asset Value per Share at which Shares will be bought or sold (exclusive of any sales charges). Subscription applications have to be received and will be accepted for each Dedicated Fund only in accordance with the deadlines set out in the Appendices.

### **14.2 Market timing**

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

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

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

## **15. TRANSFER, PLEDGE AND ASSIGNMENT OF SECURITIES**

Transfer of securities may only be carried out if the transferee qualifies as an Eligible Investor and accepts to take over liabilities, if any, of the transferor towards the Fund.

## **16. DETERMINATION OF THE NET ASSET VALUE OF SHARES**

The Net Asset Value per Share of each Class or Category of Shares in each Dedicated Fund is determined at least once a year, unless otherwise determined in the relevant appendix to this Offering document. On any Business Day, the Board of Directors may decide to determine a Net Asset Value to be used for information purpose only. The Net Asset Value will be expressed in the Reference Currency of the Dedicated Fund. The Reference Currency of the Fund is Euro.

The calculation of the Net Asset Value of Dedicated Funds investing mainly in other funds / non quoted assets or assets to be valued at fair market value will be completed by the Administrative Agent normally before the next Valuation Day unless more than 40% of the underlying portfolios of funds prices / assets valuation are not available to the Administrative Agent. If so, the latter may suspend, without further notice to the Shareholders, the publication of the Net Asset Value until disposal of at least 60% of the

underlying portfolios of funds prices / assets valuation which represent at least 60% of the total Net Asset Value (herein refer as to "Publication Day").

The Net Asset Value per Share of each Class or Category of Shares is determined by dividing the value of the total assets of that Dedicated Fund properly allocable to such Class or Category less the liabilities of such Dedicated Fund properly allocable to such Class or Category by the total number of Shares of such Class or Category outstanding on the relevant Valuation Day.

The assets of the Fund, in relation to each Dedicated Fund, shall be deemed to include:

- (i) All cash on hand or on deposit, including any interest accrued thereon;
- (ii) All bills and demand notes payable and accounts receivable (including proceeds of securities sold but not delivered);
- (iii) All bonds, time notes, certificates of deposit, shares, stock, debentures, debenture stocks, subscription rights, warrants, options and other securities, financial instruments, units or shares of funds or UCI and similar other Assets owned by the Fund or contracted by the Global Investment Manager on behalf of the Fund (provided that the Global Investment Manager may make some adjustments in a manner not inconsistent with paragraph (a) below with regards to fluctuations in the market value of securities caused by trading ex-dividends, ex-rights, or by similar practices);
- (iv) All stock dividends, cash dividends and cash distributions receivable by the Fund to the extent information thereon is reasonably available to the Fund;
- (v) All interest accrued on any interest bearing assets owned by the Fund except to the extent that the same is included or reflected in the principal amount of such asset;
- (vi) The preliminary expenses of the Fund, including the cost of issuing and distributing Shares of the Fund, insofar as the same have not been written off;
- (vii) The liquidating value of all forward contracts and all call or put options the Fund has an open position in;
- (viii) Any amount borrowed on behalf of each Dedicated Fund and on a permanent basis, for investment purposes;
- (viii) All other Assets of any kind and nature including all types of properties and expenses paid in advance.

The value of such assets shall be determined as follows:

- (a) The value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued and not yet received, is deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof is arrived at after making such discount as may be considered appropriate in such case to reflect the true value thereof;

- (b) The value of securities listed or dealt in on a Regulated Market, stock exchange or other regulated markets will be valued at the last available price on such markets. If a security is listed or traded on several markets, the closing price at the market which constitutes the main market for such securities, will be determining;
- (c) In the event that the securities are not listed or dealt in on a Regulated Market, stock exchange or other regulated markets or if, in the opinion of the Fund, the latest available price does not truly reflect the fair market value of the relevant securities, the value of such securities will be defined by the Fund based on the reasonably foreseeable sales proceeds determined prudently and in good faith by the Fund;
- (d) The liquidating value of futures, forward or options contracts not dealt in on Regulated Markets, stock exchange or other regulated markets shall mean their net liquidating value determined, pursuant to the policies established by the Fund, on a basis consistently applied for each different variety of contracts. The liquidating value of futures, forward or options contracts dealt in on Regulated Markets, stock exchange or other regulated markets shall be based upon the last available settlement prices of these contracts on Regulated Markets, stock exchange or other regulated markets on which the particular futures, forward or options contracts are dealt in by the Fund; provided that if a futures, forward or options contract could not be liquidated on the day with respect to which net assets are being determined, the basis for determining the liquidating value of such contract shall be such value as the Fund may deem fair and reasonable;
- (e) The Net Asset Value per Share of any Dedicated Fund may be determined by using an amortised cost method for all investments with a known short term maturity date. This involves valuing an investment at its cost and thereafter assuming a constant amortisation to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investments. While this method provides certainty in valuation, it may result in periods during which value, as determined by amortisation cost, is higher or lower than the price such Dedicated Fund would receive if it sold the investment. The Fund will continually assess this method of valuation and recommend changes, where necessary, to ensure that the relevant Dedicated Fund's investments will be valued at their fair value as determined in good faith by the Fund. If the Fund believe that a deviation from the amortised cost per Share may result in material dilution or other unfair results to Shareholders, the Fund shall take such corrective action, if any, as they deem appropriate to eliminate or reduce, to the extent reasonably practicable, the dilution or unfair results;
- (f) Interest rate swaps will be valued at their market value established by reference to the applicable interest rates curve. Index and financial instruments related swaps will be valued at their market value established by reference to the applicable index or financial instrument. The valuation of the index or financial instrument related swap agreement shall be based upon the market value of

such swap transaction established in good faith pursuant to procedures established by the Fund;

- (g) Units or shares of funds or UCI will be valued at their last determined and available net asset value or their last available stock market value (if any) or, if such price is not representative of the fair market value of such assets, then the price may be determined by the Board of Directors on a fair and equitable basis;
- (h) All other Assets will be valued at fair market value as determined in good faith pursuant to procedures established by the Fund;

The Fund, in its discretion, may permit some other method of valuation to be used if it considers that such valuation better reflects the fair value of any asset of the Fund.

In the event that extraordinary circumstances render valuations as aforesaid impracticable or inadequate, the Fund is authorised, prudently and in good faith, to follow other rules in order to achieve a fair valuation of the assets of the Fund.

If since the time of determination of the Net Asset Value per Share of any Class or Category in a particular Dedicated Fund there has been a material change in the quotations in the markets on which a substantial portion of the investments of such Dedicated Fund are dealt in or quoted, the Fund may, in order to safeguard the interests of the Shareholders and the Fund, cancel the first valuation of the Net Asset Value per Share and carry out a second valuation. All the subscription, redemption and exchange orders received on such day will be dealt at the second Net Asset Value per Share.

The liabilities of the Fund shall be deemed to include:

- (i) All loans, bills and accounts payable;
- (ii) All accrued interest on loans of the Fund (including accrued fees for commitment for such loans);
- (iii) All accrued or payable administrative expenses;
- (iv) All known liabilities, present and future, including all matured contractual obligations for payment of money or property;
- (v) An appropriate provision for future taxes based on capital and income to the relevant Valuation Day, as determined from time to time by the Fund, and other reserves, if any, authorised and approved by the Fund; and
- (vi) All other liabilities of the Fund of whatsoever kind and nature except liabilities represented by Shares of the Fund. In determining the amount of such liabilities, the Fund shall take into account all expenses payable and all costs incurred by the Fund, which shall comprise inter alia the fees and expenses detailed in Section 23 hereafter.

The Net Asset Value per Share for each Dedicated Fund is determined by EUROPEAN FUND ADMINISTRATION S.A. acting as administrator and normally made available at the registered office of the Fund.

The Net Asset Value per Share may be rounded up or down to the nearest cent of the relevant currency as the Board of Directors shall determine.

Each Dedicated Fund shall be valued so that all agreements to purchase or sell securities are reflected as of the date of execution, and all dividends receivable and distributions receivable are accrued as of the relevant ex-dividend dates.

## **17. SUSPENSION OF THE NET ASSET VALUE OF SHARES**

In each Dedicated Fund, the Fund may temporarily suspend the determination of the Net Asset Value of a particular Dedicated Fund, Class or Category of Shares and in consequence the issue, repurchase and conversion of Shares in any of the following events:

- (a) When one or more Regulated Markets, stock exchanges or other regulated markets, which provide the basis for valuing a substantial portion of the assets of the Fund attributable to such Dedicated Fund, or when one or more Regulated Markets, stock exchanges or other regulated markets in the currency in which a substantial portion of the assets of the Fund attributable to such Dedicated Fund is denominated, are closed otherwise than for ordinary holidays or if dealings therein are restricted or suspended;
- (b) When, as a result of political, economic, military or monetary events or any circumstances outside the responsibility and the control of the Fund, disposal of the assets of the Fund attributable to such Dedicated Fund is not reasonably or normally practicable without being seriously detrimental to the interests of the Shareholders;
- (c) In the case of a breakdown in the normal means of communication used for the valuation of any investment of the Fund attributable to such Dedicated Fund, or if, for any exceptional circumstances, the value of any asset of the Fund attributable to such Dedicated Fund may not be determined as rapidly and accurately as required;
- (d) If, as a result of exchange restrictions or other restrictions affecting the transfer of funds, transactions on behalf of the Fund are rendered impracticable or if purchases and sales of the Fund's assets attributable to such Dedicated Fund cannot be effected at normal rates of exchange.
- (e) When there is a suspension of redemption or withdrawal rights by several investment funds in which the Fund or the relevant Dedicated Fund is invested.

Any such suspension will be notified to those Shareholders having made an application for subscription, redemption or conversion of Shares for which the calculation of the Net Asset Value has been suspended.

Such suspension as to any Dedicated Fund shall have no effect on the calculation of the Net Asset Value per Share, the issue, redemption and conversion of Shares of any other Dedicated Fund.

Any request for subscription, redemption and conversion shall be irrevocable except in the event of a suspension of the calculation of the Net Asset Value per Share in the relevant Dedicated Fund.

## **18. FEES AND EXPENSES**

### **18.1 General**

The Fund shall pay out of the assets of the relevant Dedicated Fund all expenses payable by the Dedicated Fund which shall include but not be limited to:

- (a) Fees payable to and reasonable disbursements and out-of-pocket expenses incurred by the Fund, the Custodian, the paying agent, the registrar and transfer agent, as applicable;
- (b) All taxes which may be due on the assets and the income of the Dedicated Fund (in particular, the "taxe d'abonnement" and any stamp duties payable);
- (c) Usual banking fees due on transactions involving securities held in the Dedicated Fund;
- (d) Legal expenses incurred by the Administrative Agent, Domiciliary Agent, Registrar & Transfer Agent, Global Investment Manager and the Custodian while acting in the interests of the Shareholders;
- (e) The cost of any liability insurance or fidelity bonds covering any costs, expenses or losses arising out of any liability of, or claim for damage or other relief asserted against the Fund, its Director and any person or company with whom they are affiliated or by whom they are employed and/or the Custodian or other agents of the Fund for violation of any law or failure to comply with their respective obligations under the Articles of Incorporation or otherwise with respect to the Fund;
- (f) The costs and expenses of the preparation and printing of written confirmations of Shares; the costs and expenses of preparing and/or filing and printing of all other documents concerning the Fund, including registration statements and Offering document and explanatory memoranda with all authorities (including local securities dealers' associations) having jurisdiction over the Fund or the offering of Shares of the Fund; the costs and expenses of preparing, in such languages as are necessary for the benefit of the Shareholders, including the beneficial holders of the Shares, and distributing annual and semi-annual reports and such other reports or documents as may be required under the applicable laws or regulations of the above-cited authorities; the cost of accounting, bookkeeping and calculating the Net Asset Value; the cost of preparing and distributing public notices to the Shareholders; lawyers' and auditor's fees; and all similar administrative charges, including all advertising expenses, promoting of the Fund and/or its Dedicated Funds and other expenses directly incurred in offering or distributing the Shares.

All recurring charges will be charged first against income, then against capital gains and then against assets. Other charges may be amortised over a period not exceeding 5 years.

18.2 Formation and launching expenses of the Fund

The costs and expenses of the formation of the Fund and the initial issue of its Shares will be borne by the Fund and amortised over a period not exceeding 5 years from the formation of the Fund and in such amounts between Dedicated Funds in each year as determined by the Fund on an equitable basis.

18.3 Formation and launching expenses of additional Dedicated Funds

The costs and expenses incurred in connection with the creation of a new Dedicated Fund shall be written off over a period not exceeding five (5) years against the assets of such Dedicated Fund only and in such amounts each year as determined by the Fund on an equitable basis. The newly created Dedicated Fund may bear a pro-rata of the costs and expenses incurred in connection with the formation of the Fund and the initial issue of Shares, which have not already been written off at the time of the creation of the new Dedicated Fund.

18.4 Fees of Global Investment Manager, Custodian, Payment Agent, Registrar and Transfer Agent, Administrative Agent, Domiciliary Agent and the Directors

Unless otherwise provided in the Appendices below, the Fund will pay a service provider annual fee of maximum 1,25% (Without VAT) from which it will pay the fees of the Global Investment Manager, Custodian, paying agent, registrar and transfer agent, the administrative agent, the domiciliary agent and the Directors, out of each Dedicated Fund's Asset, subject to a minimum of 45.000 Euros (Without VAT) per Dedicated Fund and per year, payable at the end of each month. Sub-custodian and other third party fees as well as external costs and other costs which are transaction related costs are not included. The Global Investment Manager may charge an amount, to the benefit of each relevant Dedicated Fund, representing dealing costs not exceeding 1% (Without VAT) of the assets of each Dedicated Fund.

Notwithstanding such fees, any reasonable disbursements and out-of-pocket expenses (including without limitation travel, telephone, telex, cable and postage expenses) incurred by the Global Investment Manager, will be borne by the relevant Dedicated Fund.

Charges applicable to specific Dedicated Fund, Classes or Categories of Shares including, but not limited to investment management fees, investment advisory fees, initial charges will be detailed in the relevant Appendix.

## 19. AUDITORS

The accounting period of the Fund will begin on 1<sup>st</sup> January and end on 31<sup>st</sup> December in each year. The accounts of the Fund will be audited by DELOITTE SA, who will carry out the function of Auditor in accordance with the terms of the Law of 2007.

## **20. DIVIDENDS**

Where specified for specific Classes or Categories as disclosed under the Appendices below, the Board of Directors of the Fund may declare annual or other interim distributions out from the investment income gains and realised capital gains and, if considered necessary to maintain a reasonable level of dividends, out of any other funds available for distribution.

Notwithstanding the above, no distribution may be made as a result of which the total net assets of the Fund would fall below the equivalent in the Reference Currency of the Fund of the minimum amount as required by Luxembourg law.

Where a distribution is made and not claimed within five years from its due date, it will lapse and will revert to the relevant Dedicated Fund.

## **21. LIQUIDATION – TERMINATION AND AMALGAMATION OF DEDICATED FUNDS**

### **21.1 Dissolution and Liquidation of the Fund**

The Fund and each of the Dedicated Funds have been established for an unlimited period of time. The Fund may at any time be dissolved by a resolution of the general meeting of Shareholders subject to the quorum and majority as described in the Articles of Incorporation

Whenever the share capital falls below two-thirds of the minimum capital indicated, the question of the dissolution of the Fund shall be referred to the general meeting by the Board of Directors. The general meeting, for which no quorum shall be required, shall decide by simple majority of the votes of the share represented at the meeting.

The minimum capital of the Fund shall be at least the equivalent of one million two hundred and fifty thousand in Euro (EUR 1,250,000.-) within a period of 12 months following the authorisation of the Corporation.

The question of the dissolution of the Fund shall further be referred to the general meeting whenever the share capital falls below one-fourth of the minimum capital; in such an event, the general meeting shall be held without any quorum requirements and the dissolution may be decided by shareholders holding one-fourth of the votes of the shares represented at the meeting. The meeting must be convened so that it is held within a period of forty days from ascertainment that the net assets of the Fund have fallen below two-thirds or one-fourth of the legal minimum, as the case may be.

The liquidation shall be carried out by one or several liquidators, who may be physical persons or legal entities, appointed by the general meeting of shareholders which shall determine their powers and the compensation.

The event leading to dissolution of the Fund must be announced by a notice published in the Mémorial. In addition, the event leading to dissolution of the Fund must be announced in at least two newspapers with appropriate distribution, at least one of which

must be a Luxembourg newspaper. Such event will also be notified to the Shareholders in such other manner as may be deemed appropriate by the Board of Directors.

The general meeting or, as the case may be, the liquidator it has appointed, will realise the assets of the Fund or of the relevant Class(es), Category(ies) and/or Dedicated Fund(s) in the best interest of the Shareholders thereof, and upon instructions given by the general meeting, the Custodian will distribute the net proceeds from such liquidation, after deducting all liabilities and liquidation expenses relating thereto, amongst the Shareholders of the relevant Class(es), Category(ies) and/or Dedicated Fund(s) in proportion to the number of Shares held by them. The general meeting may distribute the assets of the Fund or of the relevant Class(es), Category(ies) and/or Dedicated Funds wholly or partly in kind to any Shareholder who agrees in compliance with the conditions set forth by the general meeting (including, without limitation, delivery of independent valuation report issued by the auditors of the Fund) and the principle of equal treatment of Shareholders.

At the close of liquidation of the Fund, the proceeds thereof corresponding to Shares not surrendered will be kept in safe custody with the Luxembourg Caisse de Consignation until the prescription period has elapsed. As far as the liquidation of any Class, Category and/or Dedicated Fund is concerned, the proceeds thereof corresponding to Shares not surrendered for repayment at the close of liquidation will be kept in safe custody with the Custodian during a period not exceeding 9 months as from the date of the close of the liquidation; after this delay, these proceeds shall be kept in safe custody at the Caisse de Consignation.

21.2 Termination of a Class, Category and/or Dedicated Fund [Shares may be redeemed, provided that Shareholders are treated equally.]

In the event that for any reason whatsoever, the value of assets of a Class, Category or Dedicated Fund should fall down to such an amount considered by the Board of Directors as the minimum level under which the Class, Category or Dedicated Fund may no longer operate in an economic efficient way, or in the event that a significant change in the economic or political situation impacting such Class, Category or Dedicated Fund should have negative consequences on the investments of such Class, Category or Dedicated Fund or when the range of products offered to clients is rationalised on an economical basis, the Board of Directors may decide to conduct a compulsory redemption operation on all shares of a Class, Category or Dedicated Fund, at the Net Asset Value per share applicable on the Valuation Day, the date on which the decision shall come into effect (including actual prices and expenses incurred for the realisation of investments, closing expenses, non paid off setting up expenses, any non paid off sales charges and any other liabilities). The Fund shall send a notice to the shareholders of the relevant Class, Category or Dedicated Fund, before the effective date of compulsory redemption. Such notice shall indicate the reasons for such redemption as well as the procedures to be enforced. Unless otherwise stated by the Board of Directors, shareholders of such Class, Category or Dedicated Fund, may not continue to apply for the redemption or the conversion of their shares while awaiting for the enforcement of the decision to liquidate. If the Board of Directors authorises the redemption or conversion of shares, such redemption and conversion operations shall be carried out according to the clauses provided by the Board of Directors in the sales documents of

shares, free of charge (but including actual prices and expenses incurred for the realisation of investments, closing expenses, non paid off setting up expenses, any non paid off sales charges and any other liabilities) until the effective date of the compulsory redemption.

### 21.3 Amalgamation or Transfer of Class, Category and/or Dedicated Fund

Under the same circumstances as provided in the first paragraph above in relation to the liquidation of Class(es), Category(ies) and/or Dedicated Funds, the Board of Directors may decide to amalgamate a Class, Category and/or Dedicated Fund into another Class, Category and/or Dedicated Fund. Shareholders will be informed of such decision by a notice sent to the Shareholders at their address indicated in the register of Shareholders or in such manner as may be deemed appropriate by the Board of Directors and, in addition, the publication will contain information in relation to the new Class, Category and/or Dedicated Fund. Such publication will be made at least one month before the date on which the amalgamation becomes effective in order to enable Shareholders to request redemption of their Shares, free of charge, before the operation involving contribution into the new Class, Category and/or Dedicated Fund becomes effective.

The Board of Directors may decide to allocate the assets of any Class, Category and/or Dedicated Fund to those of another UCI submitted to the Law of 2007 or to another sub-fund within such other UCI (such other UCI or sub-fund within such other UCI being the "new Fund") (following a split or consolidation, if necessary, and the payment of the amount corresponding to any fractional entitlement to Shareholders) where the value of the net assets of any Class, Category and/or Dedicated Fund has decreased to an amount determined by the Board of Directors to be the minimum level for the Class, Category and/or Dedicated Fund to be operated in an economically efficient manner, or in case of a significant change of the economic or political situation or as a matter of rationalisation. Such decision will be announced by a notice sent to the Shareholders at their address indicated in the register of Shareholders or in such manner as may be deemed appropriate by the Board of Directors (and, in addition, the notice will contain information in relation to the new Fund), one month before the date on which the amalgamation becomes effective in order to enable Shareholders to request redemption of their Shares, free of charge, during such period. After such period, Shareholders having not requested the redemption of their Shares will be bound by the decision of the Board of Directors, provided that only the Shareholders having expressly consented there to may be transferred to a foreign UCI applicable law and jurisdiction.

The Luxembourg District Court is the place of performance for all legal disputes between the shareholders and the Fund. Luxembourg law applies. The English version of this Offering document is the authoritative version and shall prevail in the event of any inconsistency with any translation hereof.

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

## **22. DIRECTORS' RESPONSIBILITY AND INDEMNIFICATION**

The Directors have overall responsibility of the Funds' activities, including the review of its investment activity and performance. The Directors have primary responsibility for determining and implementing the Fund's overall objectives, strategy and policy.

The Fund shall indemnify and hold harmless the Directors against a loss, including a loss resulting from any error of judgement or for any loss suffered by the Fund or any investor in the course of the discharge of the Directors' duties howsoever any such loss may have occurred unless such loss arises from fraud, bad faith, wilful default or gross negligence in performance or non-performance of such obligations or functions.

## **23. GOVERNING LANGUAGE**

English shall be the governing language of the Offering document.

## **24. TAX STATUS IN LUXEMBOURG**

### **24.1 Taxation of the Fund**

The Fund is governed by Luxembourg tax laws.

Under current law and practice, the Fund is liable, at the date of this Offering document, to an annual subscription tax of 0,01%. This tax is payable quarterly and calculated on the basis of the Fund's net assets at the end of the relevant quarter.

### **24.2 Withholding Tax**

Income received by the Fund may be liable to withholding taxes in the country of origin and is thus collected by the Fund after deduction of such tax. This is neither chargeable nor recoverable.

Any distribution by the Dedicated Funds, redemption or sale of Shares can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with applicable Luxembourg law.

### **24.3 Taxes on Income and Capital Gains**

A Shareholder who derives income from such Share, from the Dedicated Funds or who realises a gain on the disposal or redemption thereof will not be subject to Luxembourg taxation on such income or capital gains unless:

- (i) such holder is, or is deemed to be, resident in Luxembourg for Luxembourg tax purposes (or for the purposes of the relevant provisions); or
- (ii) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment, a permanent representative or a fixed base of

#### 24.4 Net Wealth Tax

Luxembourg net wealth tax will not be levied on Shares held by a Shareholder unless:

- (i) such Shareholder is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions; or
- (ii) such Share is attributable to an enterprise or part thereof which is carried on through a permanent establishment, a permanent representative or a fixed base of business in Luxembourg to which the Shares in the Fund are attributable.

As regards individuals, the Luxembourg law of 23<sup>rd</sup> December 2005 has abrogated the net wealth tax starting with the year 2006.

#### 24.5 Inheritance and Gift Tax

Where the Shares are transferred for no consideration:

- (i) no Luxembourg inheritance tax is levied on the transfer of the Shares upon death of a Shareholder in cases where the deceased Shareholder was not a resident of Luxembourg for inheritance tax purposes;
- (ii) Luxembourg gift tax will be levied in the event that the gift is made pursuant to a notarial deed signed before a Luxembourg notary.

**Prospective investors should inform themselves of, and where appropriate take advice on the laws and regulations in particular those relating to taxation (but also those relating to foreign exchange controls and being Prohibited Persons) applicable to the subscription, purchase, holding, conversion and redemption of Shares in the country of their citizenship, residence or domicile and their current tax situation and the current tax status of the Fund in Luxembourg.**

### 25. ACCOUNTING YEAR

The accounts of the Fund are closed on 31<sup>st</sup> December each year. The first accounting year will end on 31<sup>st</sup> December 2008.

### 26. SHAREHOLDERS' INFORMATION

Audited annual reports will be made available to the Shareholders free of charge at the offices of the Fund, the Custodian and the Administrative and Domiciliary Agent. The first report of the Fund will be an audited report as of 31<sup>st</sup> December 2008.

Any other financial information to be published concerning the Fund, including the Net Asset Value, the issue, conversion and repurchase price of the Shares for each Dedicated Fund and any suspension of such valuation, will be made available to the public at the offices of the Fund, the Custodian and the Administrative and Domiciliary Agent.

To the extent required by Luxembourg law or decided by the Board of Directors of the Fund, all notices to Shareholders will be sent to Shareholders at their address indicated in the register of Shareholders and, only if necessary, in one or more newspapers of wide circulation and/or in the Mémorial.

## **27. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents will be available for inspection during normal business hours at the registered office of the Fund:

- 1) Offering document;
- 2) The Articles of Incorporation of the Fund;
- 3) The latest annual reports of the Fund;
- 4) The Custodian and Principal Paying Agent Agreement;
- 5) The Administrative and Domiciliary Agency Agreement;
- 6) The Registrar and Transfer Agency Agreement;
- 7) The Global Investment Management Agreement.

## **APPENDIX I – RISK SPREADING RULES APPLICABLE TO THE FUND**

The Dedicated Funds, which belong to this category of investments, are allowed to invest within the general risk spreading rules specified below.

Within the following paragraphs "Dedicated Fund's Asset" or "gross assets" shall be interpreted as the sum of net assets plus any amount borrowed for the purpose of investments.

- **STANDARD RISK SPREADING RULES**

The investments of the Fund shall be subjected to the following guidelines:

- 1. Investments in Transferable Securities and other Assets**

Unless otherwise indicated in the appendices hereof, the Dedicated Funds, which apply for this category of investments, are allowed to enter in Transferable Securities and other Assets transaction within the limits specified below.

Under the standard investment rules, the Fund, may not, as a rule acquire, for more than 30% (thirty percent) of each Dedicated Fund's Asset, securities or other Assets of the same type issued by the same body.

The risk spreading rules stated here above do not apply to securities issued or guaranteed by an OECD Member State or by its territorial authorities or by supranational bodies or organisations of an EU, regional or world-wide nature.

The risk spreading rules stated here above do not apply to securities issued by investee funds.

- 2. Use of derivative financial instruments**

Unless otherwise indicated in the appendices hereof, the Dedicated Funds, which apply for this category of investments, are allowed to use derivative financial instruments within the limits specified below.

Under the standard investment rules, the Fund is permitted to make use of the derivative financial instruments and other techniques specified below:

Derivative financial instruments may include, in particular, options, forward or futures contracts on financial instruments and options on such contracts, together with over-the-counter swaps' contracts for all types of financial instruments including contracts for difference.

Derivative financial instruments must be dealt in on an organised market or on an over-the-counter (OTC) basis with first-class institutions specialising in this type of transaction.

The commitment in terms of transactions in derivative financial instruments dealt in on an OTC basis is understood to mean, at any time, the resultant accumulated unrealised losses attributable at such time to the said transaction.

- 2.1. The amount of margin deposits, for others purposes than hedging, made in connection with derivative financial instruments dealt in on an organised market and commitments arising from derivative financial instruments dealt in on an OTC basis shall be referenced in the Dedicated Fund's relevant appendixes. Otherwise such amount of margin deposit may not exceed 50% (fifty percent) of the Dedicated Fund's Assets.
- 2.2. When investing in derivative instrument for other purpose than hedging, each Dedicated Fund may decide to maintain a liquid asset reserve. The term "liquid assets" is understood to include not only term deposits and money market instruments, which are regularly dealt in with a residual maturity of less than twelve (12) months, but also treasury bills and bonds issued by an OECD Member State or by its territorial authorities or by supranational bodies or organisations of an EU, regional or world-wide nature, together with bonds admitted to official listing on a stock exchange or dealt in on a regulated market which operates regularly and is recognised and open to the public, which are issued by first-class issuers and present a high degree of liquidity.
- 2.3. Premiums paid for the acquisition of outstanding options shall fall within the limit stated under 2.1. above.
- 2.4. The Fund may not borrow in order to finance margin deposits.
- 2.5. The Fund shall ensure an appropriate spreading of risks by means of adequate diversification.
- 2.6. The Fund may not hold an open position on a single contract in respect of a derivative financial instrument dealt in on an organised market or on an OTC basis for which the required margin or, as applicable, commitment represents 30% (thirty percent) or more of the relevant Dedicated Fund's Assets.
- 2.7. Premiums paid for the acquisition of outstanding options with identical characteristics may not exceed 30% (thirty percent) of each relevant Dedicated Fund's Assets.

### **3. Investment in other funds and UCIs (investee funds)**

Unless otherwise indicated in the appendices hereof, the Dedicated Funds, which apply for this category of investments, are allowed to invest in other funds and UCIs within the limits specified below.

Under the standard investment rules, in accordance with the principle of risk diversification, the Fund, on behalf of each Dedicated Fund:

- 3.1. May not as a rule invest more than 30% (thirty percent) of each Dedicated Fund's Asset in the shares/units of the same investee fund.
- 3.2. For the purposes of applying limit 3.1 above, each sub-fund of an investee umbrella fund is to be considered as a separate investee fund, provided that the principle of segregation of liabilities towards third parties between the various sub-funds is in force.

- 3.3. The Fund, on behalf of the Dedicated Funds, may hold more than the majority of the securities issued by of an investee fund provided that, where the investee fund is an umbrella fund, the investment of the Fund, on behalf of the Dedicated Funds, in the legal entity constituted by the investee fund is less than 50 percent of the net assets of the Fund as a whole.

These risk spreading rules do not apply to the acquisition of the shares/units of UCIs where the investee funds are subject to risk spreading obligations comparable to those provided for funds subject to the Law of 13<sup>th</sup> February 2007 and/or where such investee funds are subject in their home State to ongoing supervision by a supervisory authority empowered by law for the purpose of ensuring investor protection.

The States subject to such ongoing supervision by a supervisory authority are: European Union, Switzerland, United-States, Canada, Hong Kong, Japan.

The Dedicated Funds which invest primarily in other UCIs must ensure that their portfolio of investee funds has the appropriate liquidity characteristics in order to enable them to meet their redemption obligations. Their investment policy should make appropriate reference to this issue.

#### **4. Risk spreading rules applicable to securities short-selling transactions**

Unless otherwise indicated in the appendices hereof, the Dedicated Funds, which apply for this category of investments, are allowed to enter in securities short-selling transaction within the limits specified below.

Under the standard investment rules, the Fund, on behalf of each Dedicated Fund, may follow the following principle:

##### 4.1. General Principle

The practice of short selling may not result in the Fund holding for each Dedicated Fund a short position in transferable securities which represent more than thirty percent (30%) of securities of the same type issued by the same body;

##### 4.2. Commitment Definition

The commitment in terms of short selling of transferable securities is understood to mean at any time the resultant accumulated unrealised losses attributable, at such time, to the short sales executed by the Fund on behalf of a Dedicated Fund. The unrealised loss on a short sale equals the amount, if any, by which the market value of the securities required to cover the short position exceeds the consideration receivable for the short sale of the security in question.

##### 4.3. Aggregate commitment limits

The aggregate amount of each Dedicated Fund's commitments resulting from short sales shall be referenced in the Dedicated Fund's relevant appendices. Otherwise such aggregate amount of each Dedicated Fund's commitments resulting from short sales may not at any time exceed fifty percent (50%) of

each Dedicated Fund's Assets. Where the Fund on behalf of a Dedicated Fund enters into short selling transactions, it must have sufficient assets at its disposal to close out the short positions arising.

#### 4.4. Derogation

Short positions in transferable securities for which the Fund on behalf of a Dedicated Fund has sufficient coverage are excluded from the aggregate amount of commitments referred to above. Any collateral of whatever nature pledged by the Fund on behalf of a Dedicated Fund out of its assets in favour of a third party for the purposes of securing its commitments towards such third party shall not be considered as sufficient coverage of its commitments from the Dedicated Fund's point of view.

#### 4.5. Securities Borrowing

The Fund may enter, on behalf of each Dedicated Fund, into securities lending transactions in conjunction with short selling of securities where the Fund acts as the borrower and the lender is a first-class institution specialising in this type of transaction.

The Fund may also pledge, on behalf of a Dedicated Fund, collateral under the terms of guarantee mechanisms where there is no transfer of title or which mitigate counterparty risk by other means.

### **5. Risk spreading rules applicable to borrowing transactions**

Unless otherwise indicated in the appendices hereof, the Dedicated Funds, which apply for this category of investments, are allowed to enter into borrowing transactions within the limits specified below.

Under the standard investment rules, the Fund, on behalf of each Dedicated Fund, may follow the following principle:

The Fund may borrow, on behalf of each Dedicated Fund and on a permanent basis, for investment purposes from first-class institutions specialising in this type of transaction.

The maximum borrowing amount on a permanent basis for investment purposes of each Dedicated Fund's shall be referenced in the Dedicated Fund's relevant appendixes. In all cases such borrowings may not exceed two hundred percent (200%) of the Dedicated Fund's net assets. Accordingly, the value of the Dedicated Fund's total assets may not exceed three hundred percent (300%) of the value of its net assets.

Nevertheless, for Dedicated Funds which adopt a strategy involving a high degree of correlation between long and short positions the Fund may borrow up to the equivalent of four hundred percent (400%) of the related Dedicated Fund's net assets.

The Fund may also pledge, on behalf of a Dedicated Fund, collateral under the terms of guarantee mechanisms where there is no transfer of title or which mitigate counterparty risk by other means.

However, the Fund may borrow the equivalent of up to 25% of each Dedicated Fund net assets without restriction in respect of the intended use thereof, except as provided for under 2.4. above.

## **6. Securities lending transactions**

Unless otherwise indicated in the appendices hereof, the Dedicated Funds, which apply for this category of investments, are allowed to enter in securities lending transactions within the limits specified below.

Under the standard investment rules, the Fund may enter into securities lending transactions provided the following rules are complied with:

### **6.1. Rules intended to ensure the proper completion of lending transactions**

The Fund may only participate in securities lending transactions within a standardised lending system organised by a recognised securities clearing institution or by a highly rated financial institution specialised in this type of transaction.

In relation to its lending transactions, the Fund must, in principle, receive security of a value which, at the conclusion of the lending agreement, must be at least equal to the value of the global valuation of the securities lent.

This collateral must be given in the form of cash and/or securities issued or guaranteed by member States of the OECD or by their local authorities or by supranational institutions and organisations with E.U., regional or worldwide scope, and must be blocked in favour of the Fund until the lending contract expires.

### **6.2. Conditions and limits of lending transactions**

Lending transactions may not be carried out on more than fifty percent (50%) of the aggregate market value of the securities in the portfolio of the sub-fund in question.

Lending transactions may not extend beyond a period of thirty (30) days.

These limits are not applicable if the Fund has the right to terminate the contract at any time and obtain restitution of the securities lent.

## **7. Repurchase transactions (Repos)**

Unless otherwise indicated in the appendixes hereof, the Dedicated Funds, which apply for this category of investments, are allowed to enter in repurchase transactions within the limits specified below.

Under the standard investment rules, the Fund may enter into repurchase transactions of the "réméré" type, involving the sale and repurchase of securities where the vendor has the contractual right to repurchase the securities from the purchaser at a price and a time agreed between the two parties at the outset. The Fund may also enter into repurchase transactions of the "mise en pension" type where, at a future maturity date, the

transferor has a contractual obligation to recover the assets transferred whilst the transferee has either the right or the obligation to return the assets transferred.

The Fund may act as purchaser (transferee) or vendor (transferor) in such repo transactions, subject to the following rules:

7.1. Counterparty quality

The Fund may only enter into such repo transactions with counterparties who are first-class institutions specialising in this type of transaction.

7.2. Conditions and limits

During the term of a *réméré* repurchase contract, the Fund may not sell the securities acquired under the contract unless and until the counterparty has exercised its right to repurchase or the repurchase time limit has expired, except where the Fund has other means of coverage at its disposal.

The Fund must ensure it keeps the volume of such repo transactions at such a level that it is able, at all times, to meet its resale obligation.

The same conditions apply to a "mise en pension" contract based on a firm agreement to purchase and resell where the fund acts as purchaser (transferee).

Where the Fund acts as vendor (transferor) in a "mise en pension" or in a repo transaction, the fund may not, at any time during the term of the contract, transfer title to the securities, pledge them as collateral in favour of a third party, nor leverage them in any way whatsoever.

The Fund must have the necessary assets at its disposal on maturity of the contract in order, where applicable, to pay the price agreed for the return of the securities from the transferee.

**8. Cash and other Money Market instruments**

Unless otherwise indicated in each relevant Appendix, the Dedicated Funds are allowed, for an undetermined period of time, to hold cash and enter into other Money Market Instruments investments.

▪ **SPECIFIC RISK SPREADING RULES FOR REAL ESTATE'S ASSETS**

Under these specific investment rules, each Dedicated Funds specialised in Real Estate investments shall follow the Standard Risk Spreading Rules, paragraphs 1., 2., 3. and 8. set-forth herein as well as the below principles.

**9. Investments in Real Estate properties**

Unless otherwise indicated in each relevant Appendix, the Dedicated Funds are allowed to enter in Real Estate properties transactions within the limits specified below.

Real Estate properties transactions **hereby** mean:

- Properties consisting of land and/or buildings registered in the name of the Funds;
- Share holdings in real estate subsidiaries (including claims on such companies) the object and purpose of which is the acquisition, promotion and sale as well as the

letting and/or lease of property provided that these share holdings must be at least as liquid as if property rights were held directly by the Funds;

- Properties related long-term interests such as surface ownership, lease-hold and certificate or options on real estate investments.

At any time during the first year after its launch date (or any other period of time mentioned in the relevant Appendix of this Offering document), the Dedicated Funds will not invest more than 30% of their Assets, directly or indirectly (through subsidiaries owned and controlled by the Fund), in a single property or in an entity which is partially owned by the Fund and which the Fund does not control. Such restriction being effective at the date of acquisition of the relevant property. Properties whose economic viabilities are not linked are to be considered as a separate item of property for this purpose.

#### **10. Restrictions applicable to borrowing transactions**

Unless otherwise indicated in each relevant Appendix, the Fund may borrow, on behalf of each Dedicated Funds, and on a permanent basis, for investment purposes from first-class institutions specialising in this type of transaction.

Each Dedicated Funds may not incur third-party borrowing for investment purposes that exceeds on a consolidated basis 80% of the total value of the Properties of the Dedicated Funds provided however, that any Dedicated Funds may incur third-party borrowing up to an additional 20% of the total value of the Properties of the Dedicated Funds in order to satisfy redemption requests. The indebtedness may be secured or unsecured.

#### **▪ FINAL PROVISION APPLICABLE TO ALL RISK SPREADING RULES**

#### **11. Breach of investment limits not due to investment decisions**

Where the percentage limits set out above are exceeded for reasons other than an investment decision (market fluctuations, repurchases), the Fund must seek as its first priority to rectify the situation taking the interests of investors into account.

#### **12. Notwithstanding the above provisions:**

Each of the Dedicated Funds needs not necessarily to comply with the limits referred to herein when exercising subscription rights attaching to Transferable Securities or Money Market Instruments which form part of such Dedicated Fund's portfolio concerned. Unless otherwise stipulated hereof or in any relevant Appendix, each Dedicated Fund has 6 months (or any other period of time mentioned in the relevant Appendix of this Offering document) from its date of authorisation to achieve compliance with the risk spreading rules.