

# Alken Fund - Prospectus

**Société d'investissement à capital variable**

(A Luxembourg domiciled open-ended investment company)

**October 23<sup>rd</sup>, 2017**

## 1. IMPORTANT INFORMATION

This Prospectus should be read in its entirety before making any application for Shares. If you are in any doubt about the contents of this Prospectus you should consult your financial or other professional adviser.

Shares are offered on the basis of the information contained in this Prospectus and the documents referred to therein.

No person has been authorised to issue any advertisement or to give any information, or to make any representations in connection with the offering, placing, subscription, sale, switching or redemption of Shares other than those contained in this Prospectus and, if issued, given or made, such advertisement, information or representations must not be relied upon as having been authorised by the Company or the Registrar and Transfer Agent. Neither the delivery of this Prospectus nor the offer, placement, subscription or issue of any of the Shares shall under any circumstances create any implication or constitute a representation that the information given in this Prospectus is correct as of any time subsequent to the date hereof.

The distribution of this Prospectus and supplementary documentation and the offering of Shares may be restricted in certain countries. Investors wishing to apply for Shares should inform themselves as to the requirements within their own country for transactions in Shares, any applicable exchange control regulations and the tax consequences of any transaction in Shares.

This Prospectus does not constitute an offer or solicitation by anyone in any country in which such offer or solicitation is not lawful or authorised, or to any person to whom it is unlawful to make such offer or solicitation.

The Shares have not been, nor will they be, registered under the U.S. Securities Act of 1933, as amended (the "1933 Act"), or qualified under any applicable state statutes and may not be offered, sold or transferred in the United States (including its territories and possessions) or to or for the benefit of, directly or indirectly, any U.S. Person (as that term is defined herein), except pursuant to registration or an exemption. The Company has not been, nor or will it be, registered under the U.S. Investment Company Act of 1940, as amended (the "1940 Act"), and investors will not be entitled to the benefits of such registration. Pursuant to an exemption from registration under the 1940 Act, the Company may make a private placement of Shares to a limited category of U.S. Persons. The Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of these offering materials. Any representation to the contrary is unlawful.

The Shares are subject to restrictions on transferability and resale and may not be transferred or resold in the United States except as permitted under the 1933 Act and applicable state securities laws, pursuant to registration or exemption therefrom. Investors should be aware that they will be required to bear the financial risks of this investment for an indefinite period of time. Each US Person subscribing for Shares must agree that the Directors may reject, accept or condition any proposed transfer, assignment or exchange of those Shares. All investors in the Company have limited withdrawal/redemption rights and such rights may be suspended under the circumstances described in this Prospectus.

The following statements are required to be made under applicable regulations of the US Commodity Futures Trading Commission ("CFTC"). As each Sub-Fund is a collective investment vehicle that may make transactions in commodity interests, each is considered to be a "commodity pool". The Management Company and the Investment Manager are each the commodity pool operator ("CPO") with respect to each Sub-Fund.

Pursuant to CFTC Rule 4.13(a) (3), the Management Company and the Investment Manager are each exempt from registration with the CFTC as a commodity pool operator. Therefore, unlike a registered CPO, the Management Company and the Investment Manager are not required to deliver a disclosure document and a certified annual report to a shareholder in the Company. The Management Company and the Investment Manager each qualify for such exemption with respect to a Sub-Fund based on the following criteria: (i) the interests in the Sub-Fund are exempt from registration under the 1933 Act and are offered and sold without marketing to the public in the United States; (ii) the Sub-Fund meets the trading limitations of either CFTC Rule 4.13(a)(3)(ii)(A) or (B); (iii) each of the CPOs reasonably believes, at the time each US Person investor makes their investment in the Sub-Fund (or at the time the CPO began to rely on Rule 4.13(a)(3)), that each US Person investor in the Sub-Fund is (a) an "accredited investor," as defined in Rule 501(a) of Regulation D under the 1933 Act, (b) a trust that is not an accredited investor but that was formed by an accredited investor for the benefit of a family member, (c) a "knowledgeable employee," as defined in Rule 3c-5 under the 1940 Act, or (d) a "qualified eligible person," as defined in CFTC Rule 4.7(a)(2)(viii)(A); and (iv) shares in the Sub-Fund are not marketed as or in a vehicle for trading in the commodity futures or commodity options markets.

Investors should note that not all the protections provided under their relevant regulatory regime may apply and there may be no right to compensation under such regulatory regime, if such scheme exists.

The Registrar and Transfer Agent shall not divulge any confidential information concerning any Investor unless required to do so by law or regulation. The Investor agrees that personal details contained in the application form and arising from the business relationship with the Registrar and Transfer Agent may be stored, modified or used in any other way by the Registrar and Transfer Agent for the purpose of administering and developing the business relationship with the Investor. To this end data may be transmitted to companies being appointed by the Registrar and Transfer Agent to support the business relationship (e.g. external processing centres, despatch or paying agents).

The distribution of this Prospectus in certain countries may require that this Prospectus be translated into the languages specified by the regulatory authorities of those countries. Should any inconsistency arise between the translated and the English version of this Prospectus, the English version shall always prevail.

The Registrar and Transfer Agent may use telephone recording procedures to record any conversation. Investors are deemed to consent to the tape-recording of conversations with the Registrar and Transfer Agent and to the use of such tape recordings by the Registrar and Transfer Agent and/or the Company in legal proceedings or otherwise at their discretion.

**NOTE: The price of Shares in the Company and the income from them may go down as well as up and an Investor may not get back the amount invested.**

## CONTENTS

1.	IMPORTANT INFORMATION .....	2
1.	DIRECTORY .....	6
2.	MANAGEMENT AND ADMINISTRATION.....	6
3.	DEFINITIONS .....	8
4.	LEGAL STATUS .....	12
5.	OBJECTIVES AND STRUCTURE .....	12
6.	ORGANISATION OF MANAGEMENT AND ADMINISTRATION .....	13
7.	RIGHTS OF THE SHAREHOLDERS .....	20
8.	SUBSCRIPTION.....	22
9.	ISSUE PRICE .....	25
10.	REDEMPTION OF SHARES.....	26
11.	REDEMPTION PRICE .....	28
12.	CONVERSION OF SHARES .....	28
13.	CONVERSION PRICE.....	30
14.	DILUTION LEVY .....	30
15.	CALCULATION OF NET ASSET VALUE.....	31
16.	SUSPENSION/DEFERRAL OF CALCULATION OF NET ASSET VALUE, SUBSCRIPTIONS AND REDEMPTIONS .....	33
17.	MARKET TIMING.....	35
18.	DIVIDENDS.....	35
19.	COMPANY EXPENSES.....	35
20.	DEFINITION OF "US PERSON," "US TAXPAYER," AND "BENEFIT PLAN INVESTOR" .....	38
21.	TAX ASPECTS.....	40
22.	EUROPEAN UNION TAX CONSIDERATIONS .....	41
23.	ALKEN FUND UNDER THE US FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA).....	42
24.	FINANCIAL YEAR .....	42
25.	PERIODICAL REPORTS AND PUBLICATIONS.....	43

26.	RIGHTS ON A WINDING-UP: DURATION - MERGER - DISSOLUTION OF THE COMPANY AND THE SUB-FUNDS .....	43
27.	DOCUMENTS AVAILABLE FOR INSPECTION.....	44
28.	INVESTMENT RESTRICTIONS .....	45
1.	INVESTMENTS IN ELIGIBLE ASSETS .....	45
2.	PROHIBITED INVESTMENTS .....	53
3.	FINANCIAL DERIVATIVE INSTRUMENTS AND STRUCTURED PRODUCTS .....	54
4.	SECURITIES FINANCING TRANSACTIONS AND REUSE.....	54
5.	SPECIAL TECHNIQUES AND INSTRUMENTS .....	55
29.	RISK MANAGEMENT PROCESS .....	60
30.	RISK CONSIDERATIONS.....	61
31.	ADDITIONAL INFORMATION.....	69
32.	APPENDIX I - SUB-FUND IN OPERATION.....	70
1.	ALKEN FUND – European Opportunities .....	70
2.	ALKEN FUND – Small Cap Europe .....	76
3.	ALKEN FUND – Absolute Return Europe .....	81
4.	ALKEN FUND – Continental Europe.....	87
33.	APPENDIX II – UK TAX SUPPLEMENT .....	91
34.	APPENDIX III – US TAX SUPPLEMENT .....	96

## 1. DIRECTORY

### Registered Office of the Company:

15, avenue J.F. Kennedy  
L- 1855 Luxembourg

### Board of Directors of the Company:

Chairman:

Mr. Nicolaus P. Bocklandt  
Independent Certified Director  
6B, route de Trèves,  
L-2633 Luxembourg

### Directors:

Ms. Michèle Berger  
Executive Vice President  
FundPartner Solutions (Europe) S.A.  
15, avenue J.F. Kennedy, L-1855  
Luxembourg

Mr. Jean de Courrèges  
Independent Director  
2, rue Jean l'Aveugle, L-1148 Luxembourg

Mr. Bruno Vanderschelden  
Independent Director  
VDS Consult  
23, rue des Bruyères, L-1274 Hesperange,  
Luxembourg

## 2. MANAGEMENT AND ADMINISTRATION

### Management Company

Alken Luxembourg S.A.  
3, Boulevard Royal  
L-2449 Luxembourg

Mr. Jean de Courrèges  
Independent Director  
2, rue Jean l'Aveugle, L-1148 Luxembourg

### Board of Managers of the Management Company

Mr. Nicolas Walewski  
Managing Director  
Alken Asset Management Ltd.  
61 Conduit Street, London  
W1S 2GB, UK

Mr. Nicolaus P. Bocklandt  
Independent Certified Director  
6B, route de Trèves, L-2633 Luxembourg

Mr. Jean-Christoph Arntz  
Independent Certified Director  
6B, route de Trèves, L-2633 Luxembourg

### Persons in charge to conduct the Management Company

Mr. Peder Gervin Pedersen  
Risk Manager  
Alken Luxembourg S.A.  
3, Boulevard Royal  
L-2449 Luxembourg

Mr. Philipp Gregor  
General Manager  
Alken Luxembourg S.A.  
3, Boulevard Royal  
L-2449 Luxembourg

### Investment Manager

Alken Asset Management Ltd.  
61 Conduit Street, London,  
W1S 2GB, UK

Mr. Alexis Tsatsaris  
Director of Finance and Operations  
Alken Asset Management Ltd.  
61 Conduit Street, London  
W1S 2GB, UK

### Depositary Bank

Pictet & Cie (Europe) S.A.  
15A, avenue J.F. Kennedy, L 1855  
Luxembourg

**Central Administration Agent**

FundPartner Solutions (Europe) S.A.  
15, avenue J.F. Kennedy, L-1855  
Luxembourg

**Auditors**

Deloitte Audit S.à r.l.  
560, rue de Neudorf, L-2220 Luxembourg

**Promoter**

Alken Luxembourg S.A.  
3, Boulevard Royal  
L-2449 Luxembourg

**Swiss Representative**

FundPartner Solutions (Suisse) SA  
60 route des Acacias, CH-1211 Genève 73  
Switzerland

**Swiss Paying Agent**

Banque Pictet & Cie SA  
60 route des Acacias, CH-1211 Genève 73  
Switzerland

**Facility Service Agent**

Alken Asset Management Ltd.  
61, Conduit Street, London  
W1S 2GB UK

### 3. DEFINITIONS

"1933 Act"	The US Securities Act of 1933, as amended
"1940 Act"	The US Investment Company Act of 1940, as amended
"Accumulation Share"	A Share which accumulates the income arising in respect of a Share so that it is reflected in the price of that Share
"Applicable NAV"	Net asset value applicable for the valuation of positions on a given date or for the execution of Subscriptions and Redemptions with the relevant provisions as set out in the Prospectus
"Articles"	The Articles of Association of the Company as amended from time to time
"Auditor"	The Auditors of the Company, namely Deloitte Audit S.à.r.l.
"Benchmark Index"	In respect of the European Opportunities Sub-Fund, a rate set at the value equal to the performance of the STOXX 600 EUR (Return) Index in respect of each Performance Period; in respect of the Small Cap Europe Sub-Fund, a rate set at the value equal to the performance of the STOXX TMI Small EUR (Return) Index in respect of each Performance Period; and in respect of the Continental Europe Sub-Fund, a rate set at the value equal to the performance of the MSCI Europe ex-UK Index in respect of each Performance Period.
"Benefit Plan Investor"	As defined in the relevant section of this Prospectus
"Business Day"	Each day on which banks are normally open for business in Luxembourg, or such other day as the Directors may decide from time to time
"Central Administration Agent"	FundPartner Solutions (Europe) S.A.
"CFTC"	The US Commodity Futures Trading Commission
"Class"	A class of Shares with a specific fee structure, currency of denomination or other specific feature
"Code"	The US Internal Revenue Code of 1986, as amended
"Company"	Alken Fund
"CSSF"	The Commission de Surveillance du Secteur Financier, the Luxembourg financial authority who is supervising inter alia the Company and the Management Company
"Depository Bank"	Pictet & Cie (Europe) S.A.



"Dealing Day"	A Business Day which does not fall within a period of suspension of calculation of the Net Asset Value per Share of the relevant Class or of the Net Asset Value of the relevant Sub-Fund (unless stated otherwise in this Prospectus) and such other day as the Directors may decide from time to time
"Directors" or "Board of Directors"	The Board of Directors of the Company
"Distribution Share"	A Share which distributes its income
"ERISA"	The US Employee Retirement Income Security Act of 1974, as amended
"EU"	The European Union
"Euro" or "EUR"	The currency of the Member States of the European Union that adopt the single currency in accordance with the Treaty establishing the European Economic Community, as amended by the Treaty on European Union
"Facility Service Agent"	Alken Asset Management Ltd.
"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 and according to recognised international accounting rules
"Hurdle Rate"	A hurdle rate is a rate of return above which a performance fee may be charged
"Institutional Investor"	An institutional investor as defined by guidelines or recommendation issued by the Regulatory Authority from time to time
"Investment Manager"	Alken Asset Management Ltd.
"Investor" or "Shareholder"	A subscriber for Shares
"Management Company"	Alken Luxembourg S.A.
"Member State"	A State member of the European Union
"Mémorial"	Mémorial C, Recueil des Sociétés et Associations of Luxembourg
"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 of the Company or of any Class of Shares determined in accordance with the relevant provisions described under the heading "Calculation of Net Asset Value" as set out in the Prospectus
"OTC"	Over the Counter
"Other Regulated Market"	A market which is regulated, operates regularly and is recognised and open to the public, namely a market (i) that meets the following cumulative criteria: liquidity; multilateral order matching (general matching of bid and ask prices in order to establish a single price); transparency (the circulation of complete information in order to give clients the possibility of tracking trades, thereby ensuring that their orders are executed in current conditions); (ii) on which the securities are dealt in at a certain fixed frequency, (iii) which is recognised by a state or a public authority which has been delegated by that state or by another entity which is recognised by that state or by that public authority such as a professional association and (iv) on which the securities dealt in are accessible to the public
"Other State"	Any State of Europe which is not a Member State and any State of America, Africa, Asia, Australia and Oceania and, as appropriate, of the OECD ("Organisation for Economic Cooperation and Development")
"Prospectus"	The present prospectus, as may be amended from time to time
"Registrar and Transfer Agent"	FundPartner Solutions (Europe) S.A. under its general appointment as Central Administration Agent of the Company
"Regulated Market"	A regulated market as defined in European Parliament and Council Directive 2014/65/EU dated 15 May 2014 on investment services in the securities field ("Directive 2016/65/EU"), namely a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of the Directive 2016/65/EU
"Regulatory Authority"	The <i>Commission de surveillance du secteur financier</i> or its successor
"Share"	A Share(s) of no par value in any one Class in the capital of the Company
"KIID "	The Key Investors Information Document

"Sub-Fund"	A specific portfolio of assets and liabilities within the Company having its own Net Asset Value and represented by a separate Class or Classes of Shares
"the 2010 Law"	The law of 17 <sup>th</sup> December 2010 relating to undertakings for collective investment, as the same may be amended from time to time
"Transferable Securities"	(i) shares and other securities equivalent to shares ("shares"); (ii) bonds and other debt instruments ("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
"UCI"	An "other undertaking for collective Investment" within the meaning of the first and second indent of Article 1(2) of Council Directive 85/611/EEC of 20 <sup>th</sup> December 1985, as amended
"UCITS"	An undertaking for collective investment in transferable securities authorised in accordance with the UCITS IV Directive
"UCITS Directive"	Directive 2009/65/EC of the European Parliament and of the Council of 13 <sup>th</sup> July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investments in transferable securities (UCITS), as amended
"United States" or "US"	The United States of America, its territories and possessions, any state of the United States and the District of Columbia
"US Person"	As defined in the relevant section of this Prospectus
"US Taxpayer"	As defined in the relevant section of this Prospectus

All references herein to time are to Luxembourg time unless otherwise indicated.

Words importing the singular shall, where the context permits, include the plural and vice versa.

#### 4. LEGAL STATUS

**ALKEN FUND, formerly VAUBAN FUND** (the "Company") is an open-ended investment company organised as a "société anonyme" under the laws of the Grand Duchy of Luxembourg and qualifies as a Société d'Investissement à Capital Variable ("SICAV") under Part I of the 2010 Law, whose object is to invest in Transferable Securities under the principle of risk spreading in accordance with, and as more fully described in, its Articles and the Prospectus.

The Company was incorporated for an indefinite period on 16<sup>th</sup> November 2005, with an initial capital of EUR 31,000. Its Articles were published in the official gazette Mémorial on 14<sup>th</sup> December 2005.

The Company is registered at the Trade and Companies Register of Luxembourg under the number B111842.

The Company's capital shall at all times be equal to the value of its total net assets. The minimum capital required by law is EUR 1.25 million, which must be achieved within six months of launch.

#### 5. OBJECTIVES AND STRUCTURE

The exclusive objective of the Company is to place the funds available to it in Transferable Securities and other permitted assets of any kind with the purpose of spreading investment risks and affording its Shareholders the results of the management of its portfolios, by offering them access to a world-wide selection of markets and a variety of investment techniques via a range of Sub-Funds catering for many different investment objectives.

The specific investment objective and policy of each Sub-Fund is described in Appendix I.

The investments of each Sub-Fund shall at any time comply with the restrictions set out herein, and Investors should, prior to any investment being made, take due account of the risks of investments set out herein. Save aforesaid restrictions, the selection of securities and other authorised assets that make up the portfolio of the various Sub-Funds will not be limited as regards geographical area or economic consideration, nor as regards the type of investment of assets.

A list of those Sub-Funds in existence at the time of this Prospectus, together with a description of their investment objective and policy and main features, is attached as Appendix I to this Prospectus. This list forms an integral part of this Prospectus. The Directors may decide to create one or several additional Sub-Funds at any time. Upon creation of such a Sub-Fund, the list contained in the present Prospectus will be updated accordingly.

## **6. ORGANISATION OF MANAGEMENT AND ADMINISTRATION**

### **Directors of the Company**

The Directors of the Company are responsible for the overall administration, control and management of the Company, including the determination of the investment objective and policies of each Sub-Fund. In particular, the Directors of the Company are responsible for the monitoring and the overall supervision and control of the Management Company. To this effect, the Board of Directors may give board recommendations to the Management Company in relation to, without limitation, the structure, promotion, administration, investment management and distribution of the Company and the contents of any documentation relating to the Company (including but not limited to, the Prospectus and any marketing material).

### **Management Company**

The Company has appointed Alken Luxembourg S.A. to serve as its designated management company in accordance with the 2010 Law pursuant to a management company services agreement dated as of 25<sup>th</sup> May 2007 (the "Management Company Services Agreement"). Under this agreement, the Management Company provides investment management, administrative and marketing services to the Company, subject to the overall supervision and control of the Directors.

Alken Luxembourg S.A. was organised on 25<sup>th</sup> May 2007 as a Société Anonyme for an unlimited period of time under the laws of the Grand Duchy of Luxembourg. Its articles of incorporation have been published in the *Mémorial* on 30<sup>th</sup> August 2007. It is registered under the number R.C.S. Luxembourg B130052 at the Register of Commerce at the District Court of Luxembourg. Its share capital amounts to EUR 2.25 million.

The Management Company is in charge of the day-to-day operations of the Company. In fulfilling its responsibilities set forth by the 2010 Law and the Management Company Services Agreement, it is permitted to delegate all or a part of its functions and duties to third parties, provided that it retains responsibility and oversight over such delegates. The appointment of third parties is subject to the approval of the Company and the Regulatory Authority. The Management Company's liability shall not be affected by the fact that it has delegated its functions and duties to third parties.

The Management Company has delegated the following functions to third parties: investment management and central administration as detailed below.

Where the Management Company has delegated any of its functions to a third party, the Management Company shall be able to give at any time any further instructions to the delegates to which the functions are delegated and to terminate the relevant agreements such delegates without prior notice and with immediate effect when this is in the interests of the shareholders as provided for by article 110 (1) (g) of the Law of 2010.

The Management Company has adopted a remuneration policy which is consistent with and promotes sound and effective risk management. It includes a description as to how remuneration and benefits are calculated, a description of the remuneration committee, should one be formed, and identifies those individuals responsible for awarding remuneration and benefits. It does not

encourage risk-taking which is inconsistent with the risk profiles, rules or management regulation of the Company and does not impair compliance with the Management Company's duty to act in the best interest of the Investors. The remuneration policy includes fixed and variable components of salaries and discretionary pension benefits. The remuneration policy applies to those categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that falls within the remuneration bracket of senior management and risk takers whose professional activities have a material impact on the risk profile of the Company. A disclosure on the UCITS Directive compliant remuneration policy is available on the individual pages at <http://www.alken-lux.lu> (see literature section for Alken Luxembourg) or a paper copy of the policy itself is available free of charge upon request from the registered office of the Management Company.

### **Investment Manager**

Subject to the overall responsibility of the Directors, the Management Company will provide or procure for each Sub-Fund investment advisory and discretionary investment management services, pursuant to the provisions of the Management Company Services Agreement.

In order to implement the investment policies of each Sub-Fund, the Management Company has delegated, under its permanent supervision and responsibility, the management of the assets of each Sub-Fund to Alken Asset Management Ltd., pursuant to the delegation of management functions agreement dated 20<sup>th</sup> July 2015 (the "Investment Management Agreement"). This Investment Management Agreement was concluded for an unlimited duration and may be terminated as provided therein.

Alken Asset Management Ltd. was established as a limited liability partnership under the name of Vauban Asset Management LLP (OC314034) on 5<sup>th</sup> July 2005 under the laws of England. It has been authorised and regulated by the FCA (previously FSA) since 11<sup>th</sup> January 2006. Alken Asset Management Ltd.'s activity is to manage segregated mandates and it acts as investment adviser for other investment funds. Pursuant to the Investment Management Agreement, the Investment Manager has discretion, on a day-to-day basis and subject to the control and responsibility of the Management Company, to purchase and sell securities and otherwise to manage each Sub-Fund's portfolio.

The Investment Manager, in the execution of its duties and the exercise of its powers, shall comply with each Sub-Fund's investment policies and restrictions.

Subject to its overall responsibility, control and supervision, the Investment Manager may, at its charge, sub-delegate certain or all of its duties in relation to certain Sub-Funds to a sub-investment manager as specified in Appendices below subject to the CSSF prior approval.

Any change in the investment management delegation by the Management Company or by the Investment Managers will be reflected in the next updated version of the Prospectus or its Appendices.

## **Depository Bank**

Pictet & Cie (Europe) S.A. has been appointed by the Company as the Depository Bank for (i) the safekeeping of the assets of the Company (ii) the cash monitoring, (iii) the oversight functions and (iv) such other services as are agreed from time to time and reflected in the relevant agreement (the “Depository Agreement”).

The Depository Bank is a credit institution established in Luxembourg, whose registered office is situated at 15A, avenue J.F. Kennedy, L-1855 Luxembourg, and which is registered with the Registre de Commerce et des Sociétés of Luxembourg under number B 32060. It is licensed to carry out banking activities under the terms of the Luxembourg law of 5 April 1993 on the financial services sector, as amended.

### **Duties of the Depository Bank**

The Depository Bank is entrusted with the safekeeping of the Company's assets. For the financial instruments which can be held in custody, they may be held either directly by the Depository Bank or they can also be held by any third-party delegate for which the Depository Bank must ensure that they provide, in principle, the same guarantees as the Depository Bank itself, i.e. for Luxembourg institutions to be a credit institution within the meaning of the law of 5 April 1993 on the financial sector or for foreign institutions, to be a financial institution subject to the rules of prudential supervision considered as equivalent to those provided by EU legislation. The Depository Bank also ensures that the Company's cash flows are properly monitored, and in particular that the subscription monies have been received and all cash of the Company has been booked in the cash account in the name of (i) the Company, (ii) the Management Company on behalf of the Company or (iii) the Depository Bank on behalf of the Company.

In addition, the Depository Bank shall also ensure:

- that the sale, issue, repurchase, redemption and cancellation of the Shares of the Company are carried out in accordance with Luxembourg law and the Articles;
- that the value of the Shares of the Company is calculated in accordance with Luxembourg law and the Articles;
- to carry out the instructions of the Management Company, unless they conflict with Luxembourg law or the Articles;
- that in transactions involving the Company's assets any consideration is remitted to the Company within the usual time limits;
- that the Company's incomes are applied in accordance with Luxembourg law and the Articles.

The Depository Bank regularly provides the Company and its Management Company with a complete inventory of all assets of the Company.

## **Delegation of functions**

Pursuant to the provisions of the UCITS Directive and of the Depositary Agreement, the Depositary Bank, subject to certain conditions and in order to effectively conduct its duties, delegates part or all of its safekeeping duties over the Company's assets set out in the UCITS Directive, to one or more third-party delegates appointed by the Depositary Bank from time to time and which include, for the avoidance of any doubt, any of the Depositary Bank's affiliates to which some safekeeping duties have been delegated.

The Depositary Bank shall exercise care and diligence in choosing and appointing the third-party delegates so as to ensure that each third-party delegate has and maintains the required expertise and competence. The Depositary Bank shall also periodically assess whether the third-party delegates fulfil applicable legal and regulatory requirements and will exercise ongoing supervision over each third-party delegate to ensure that the obligations of the third-party delegates continue to be competently discharged.

The liability of the Depositary Bank shall not be affected by the fact that it has entrusted all or some of the Company's assets in its safekeeping to such third-party delegates.

In case of a loss of a financial instrument held in custody, the Depositary Bank shall return a financial instrument of an identical type or the corresponding amount to the Company without undue delay, except if such loss results from an external event beyond the Depositary Bank's reasonable control and the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

An up-to-date list of the appointed third-party delegates is available upon request at the registered office of the Depositary Bank and is available on

[http://www.pictet.com/corporate/fr/home/asset\\_services/custody\\_services/sub-custodians.html](http://www.pictet.com/corporate/fr/home/asset_services/custody_services/sub-custodians.html)

Pursuant to the UCITS Directive, the Depositary Bank and the Company will ensure that, where (i) the law of a third country requires that certain financial instruments of the Company be held in custody by a local entity and there is no local entities in that third country subject to effective prudential regulation (including minimum capital requirements) and supervision and (ii) the Company instructs the Depositary Bank to delegate the safekeeping of these financial instruments to such a local entity, the Investors of the Company shall be duly informed, prior to their investment, of the fact that such delegation is required due to the legal constraints of the law of the third country, of the circumstances justifying the delegation and of the risks involved in such a delegation.

## **Conflicts of interests**

In carrying out its functions, the Depositary Bank shall act honestly, fairly, professionally, independently and solely in the interest of the Company and the Investors of the Company.

Potential conflicts of interest may nevertheless arise from time to time from the provision by the Depositary Bank and/or its delegates of other services to the Company, the Management Company and/or other parties. As indicated above, the Depositary Bank's affiliates are also appointed as



third-party delegates of the Depositary Bank. Potential conflicts of interest which have been identified between the Depositary Bank and its delegates are mainly fraud (unreported irregularities to the competent authorities to avoid bad reputation), legal recourse risk (reluctance or avoidance to take legal steps against the Depositary Bank), selection bias (the choice of the Depositary Bank not based on quality and price), insolvency risk (lower standards in asset segregation or attention to the Depositary Bank's solvency) or single group exposure risk (intragroup investments).

The Depositary Bank (or any of its delegates) may in the course of its business have conflicts or potential conflicts of interest with those of the Company and/or other funds for which the Depositary Bank (or any of its delegates) acts.

The Depositary Bank has pre-defined all kind of situations which could potentially lead to a conflict of interest and has accordingly carried out a screening exercise on all activities provided to the Company either by the Depositary Bank itself or by its delegates. Such exercise resulted in the identification of potential conflicts of interest that are however adequately managed. The details of the potential conflicts of interest listed above are available free of charge from the registered office of the Depositary Bank and on the following website:

[https://www.group.pictet/corporate/fr/home/asset\\_services/custody\\_services/sub-custodians.html](https://www.group.pictet/corporate/fr/home/asset_services/custody_services/sub-custodians.html)

On a regular basis, the Depositary Bank re-assesses those services and delegations to and from delegates with which conflicts of interest may arise and will update such list accordingly.

Where a conflict or potential conflict of interest arises, the Depositary Bank will have regard to its obligations to the Company and will treat the Company and the other funds for which it acts fairly and such that, so far as is practicable, any transactions are effected on terms which shall be based on objective pre-defined criteria and meet the sole interest of the Company and the Investors of the Company. Such potential conflicts of interest are identified, managed and monitored in various other ways including, without limitation, the hierarchical and functional separation of the Depositary Bank's depositary functions from its other potentially conflicting tasks and by the Depositary Bank adhering to its own conflicts of interest policy.

### **Miscellaneous**

The Depositary Bank or the Company may terminate the Depositary Agreement at any time upon ninety (90) calendar days' written notice (or earlier in case of certain breaches of the Depositary Agreement, including the insolvency of any of them) provided that the Depositary Agreement shall not terminate until a replacement Depositary Bank is appointed.

Up-to-date information regarding the description of the Depositary Bank's duties and of conflicts of interest that may arise as well as of any safekeeping functions delegated by the Depositary Bank, the list of third-party delegates and any conflicts of interest that may arise from such a delegation will be made available to investors on request at the Depositary Bank's registered office.

### **Central Administration Agent**

The Management Company has undertaken to provide the Company with certain administration services, including general administration as well as bookkeeping and maintenance of all accounts of the Company, the periodic determination of the Net Asset Value per Share, the preparation and filing of the Company's financial reports and the liaison with the Auditors.

In addition, the Management Company will under the terms of the Management Company Services Agreement act as corporate and domiciliary agent for the Company.

The Management Company has further undertaken to provide the Company with registrar and transfer agent services. As such the Management Company will be responsible for handling processing of subscriptions of Shares, dealing with requests for redemption and conversion and accepting transfers of funds, for the safekeeping of the register of Shareholders of the Company and the safekeeping of all non-issued Share certificates of the Company.

The Management Company has delegated the above mentioned registrar and transfer agent services, domiciliary and administrative functions to FundPartner Solutions (Europe) S.A. pursuant to the Central Administration Agreement in relation to Registrar, Transfer, Domiciliary, Corporate, Paying and Administrative Agent Functions dated 14<sup>th</sup> May 2007. The agreement was concluded for an unlimited duration and may be terminated as provided therein.

FundPartner Solutions (Europe) S.A. was incorporated as a société anonyme (limited company) under Luxembourg law for an indefinite period on 17<sup>th</sup> July 2008, under the former denomination Funds Management Company S.A. Its fully paid-up capital is CHF 6,250,000 at the date of this Prospectus.

## **Distributor**

The Management Company may from time to time appoint any suitable company as distributor (the "Distributor"). The role of the Distributor is to market and promote the Company's Shares in each Sub-Fund.

The Distributor may conclude contractual arrangements with dealers as its agents for the distribution of Shares.

The Distributor or any of their agents may be involved in the collection of subscription, conversion and redemption orders on behalf of the Company and any of the Sub-Funds and may, in that case, provide a nominee service for investors purchasing Shares through it. Investors may elect to make use of such nominee service pursuant to which the nominee will hold the Shares in its name for and on behalf of the investors who shall be entitled at any time to claim direct title to the Shares and who, in order to empower the nominee to vote at any general meeting of Shareholders, shall provide the nominee with specific or general voting instructions to that effect.

## **Auditors**

The auditing has been entrusted to Deloitte Audit S.à r.l., 560, route de Neudorf, L-2220 Luxembourg.

## **Facility Service Agent**

The Company is a recognised scheme under Section 264 of the UK Financial Services and Markets Act 2000. The Facility Service Agent is authorised and regulated by the Financial Conduct Authority ("FCA") (FCA Firm Reference No. 629630). Information concerning the price of the Shares in the Company and access to and copies of the Prospectus, Key Investor Information Document, constitutional documents and most recent annual and half-yearly reports of the Company may be obtained from the Facility Service Agent. The Facility Service Agent acts as the representative of the Company in the United Kingdom for the purpose of providing facilities for submitting redemption requests and complaints.

Many of the protections provided by the United Kingdom regulatory structure may not apply to investments in the Company, including access to the Financial Services Compensation Scheme and the Financial Ombudsman Service.

Investors who seek to make complaints or redemption requests through the Company's UK based Facility Service Agent should submit them by fax to Fax : +44 (0) 20 7440 1901 with the original copy of the complaint or duly completed redemption request form to be sent to the postal address indicated below:

**Alken Asset Management Ltd.**  
61 Conduit Street  
London W1S 2GB, UK

## **7. RIGHTS OF THE SHAREHOLDERS**

### **Shares**

The Shares in each Sub-Fund are only issued in registered form, with no par value and fully paid-up. Shares may be issued in fractions up to five decimal places. All owners of Shares will have their names entered into the Shareholders' register which will be held at the Company's registered office. No certificates will be issued and Shareholders will only receive a confirmation that their names have been recorded in the Shareholders' register. Shares may also be held and transferred through accounts maintained with clearing systems.

All Shares are freely transferable and have an equal entitlement to any profits, proceeds of liquidation and dividends relating to the Sub-Fund and Share Class to which they pertain. The Shares carry no preferential and pre-emptive rights.

Each Share gives right to one vote. Fractions of Shares do not, however, possess voting rights. In the case of a joint holding, only the first named Shareholder may vote.

The Directors may impose or relax restrictions on any Shares and, if necessary, require redemption of Shares to ensure that Shares are neither acquired nor held by or on behalf of any person in breach of the law or requirements of any country or government or regulatory authority or which might have adverse taxation or other pecuniary consequences for the Company, including a requirement to register under the laws and regulations of any country or authority. The Directors may in this connection require a Shareholder to provide such information as they may consider necessary to establish whether a Shareholder is the beneficial owner of the Shares which they holds.

If it shall come to the Directors attention at any time that Shares are beneficially owned by a United States Person, the Company will have the right to compulsorily redeem such Shares.

The transfer of registered Shares may be affected by delivery to the Registrar and Transfer Agent of a duly signed stock transfer form in appropriate form together with, if issued, the relevant shareholding confirmation to be cancelled.

### **Sub-Funds and Classes of Shares**

Appendix I to the Prospectus lists the Sub-Fund(s) already in existence at the time of issue of this Prospectus, the Shares of which are offered to subscription and the relevant Classes of Shares available therein (if any).

The Directors may at any time resolve to set up new Sub-Funds and/or create within each Sub-Fund one or more classes of Shares and this Prospectus will be updated accordingly. The Directors may also at any time resolve to close a Sub-Fund, or one or more classes of Shares within a Sub-Fund to further subscriptions.

The Directors may decide to create within each Sub-Fund different Classes of Shares whose assets will be commonly invested pursuant to the specific investment policy of the relevant Sub-Fund, but where a specific fee structure, currency of denomination or other specific feature may apply to each class. A separate Net Asset Value per Share, which may differ as a consequence of these variable factors, will be calculated for each Class.

Shares may be issued as Accumulation or Distribution Shares at the Directors discretion. Investors may enquire at the Registrar and Transfer Agent or their Distributor which type of Shares is available within each Class and Sub-Fund.

The Board of Directors may decide to list the shares of each Sub-Fund or Classes of Shares, as and when issued, on the Luxembourg Stock Exchange.

### **Principle of Solidarity and Severability**

The subscription price for Shares in each Class is invested in the assets of the relevant Sub-Fund. In principle, all assets and liabilities related to a specific Sub-Fund are allocated to that Sub-Fund. In the case that costs and expenses are not attributable to a specific Sub-Fund, they shall be shared out proportionally among the various Sub-Funds according to their net asset values or, if circumstances warrant it, allocated on an equal basis to each Sub-Fund.

The Company constitutes a single legal entity, but the assets of each Sub-Fund shall be invested for the exclusive benefit of the Shareholders of the corresponding Sub-Fund and the assets of a specific Sub-Fund are solely accountable for the liabilities, commitments and obligations of that Sub-Fund.

### **General Meetings of Shareholders**

The annual general meeting of Shareholders shall be held each year at the Company's registered office or at any other location in Luxembourg which will be specified in the convening notice to the meeting.

The annual general meeting of Shareholders shall be held on the last Friday of April at 11.00 a.m. or, if this happens to be a bank holiday in Luxembourg, on the next following Business Day, and for the first time in 2007. The Board may also convene the annual general meeting on such other date, time and place in Luxembourg as may be specified in the notice of the meeting.

Convening notices shall be sent to all registered Shareholders at least 8 days prior to the annual general meeting. These notices shall include details of the time and place of the meeting, the agenda, conditions for admission and requirements concerning the quorum and majority voting rules as stated by Luxembourg law. Notices shall be published in the Mémorial and in a Luxembourg newspaper (if legally required) and in such other newspapers as the Directors may decide.

The legal requirements as to notice, quorum and voting at all general and Sub-Fund or Class meetings are included in the Articles. Meetings of Shareholders of any given Sub-Fund or Class shall decide upon matters relating to that Sub-Fund or Class only.

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

## **8. SUBSCRIPTION**

Subscriptions for Shares in each Sub-Fund already in operation shall be accepted at the issue price, as defined below under "Issue Price", at the office of the Registrar and Transfer Agent as well as at any other establishments authorised to do so by the Company.

### **How to subscribe**

Investors subscribing for Shares for the first time should complete a subscription form and send it by post directly to the Registrar and Transfer Agent. Subscription forms may also be accepted by facsimile transmission or other means approved by the Registrar and Transfer Agent, provided that the original is immediately forwarded by post. Subscription forms from non-FATF residents will only be accepted once the original signed subscription form and other applicable identification documents have been received and approved by the Registrar and Transfer Agent.

Save as may be otherwise set out in Appendix 1 regarding a certain Sub-Fund, for any subscription received by the Registrar and Transfer Agent prior to 16.00 hours at the latest of a given Business Day, the Net Asset Value dated the same Business Day will be applicable. For any subscription arriving at the Registrar and Transfer Agent after the deadline set at 16.00 hours on a given Business Day, the Net Asset Value applicable will be the Net Asset Value dated the following Business Day.

Subsequent subscription for Shares does not require completion of a second application form. However, Investors shall provide written instructions as agreed with the Registrar and Transfer Agent to ensure smooth processing of subsequent subscription. Instructions may also be made by letter, facsimile transmission, in each case duly signed, or such other means approved by the Registrar and Transfer Agent.

The Company reserves the right to accept, reject or condition applications from US Persons if the Company does not receive evidence satisfactory to it that the sale of Shares to such an investor is exempt from registration under the securities laws of the United States, including, but not limited to, the 1933 Act, that such sale will not require the Company to register under the 1940 Act and, in all events, that there will be no adverse tax or other regulatory consequences to the Company or its shareholders as a result of such sale. US Persons should request a Supplemental Disclosure Statement for US Persons and US Taxpayers from the Administrator and will be required to complete the subscription documents for US Persons appended thereto in addition to the Application Form contained in this Prospectus. Some subscribers may be taxable in the United States but will not come within the definition of US Person for the purposes of determining which subscription documents should be used (see relevant section of this Prospectus for the definition of "US Taxpayer" and "US Person"). Such persons need not complete the special subscription

documents for US Persons and will not automatically receive the supplemental disclosure document. However, such investors are encouraged to obtain the supplemental disclosure document from the Administrator which provides additional tax disclosures with respect to US Taxpayers.

The Directors reserve and intend to exercise the right at their sole discretion compulsorily to redeem or require the transfer of any Shares, *inter alia*, if the continued ownership of any Shares by any person could result in a risk of legal, regulatory, pecuniary, taxation or material administrative disadvantage to the Company or its shareholders.

**Each Investor will be given a personal account number which, along with any relevant transaction number should be quoted on any payment by bank transfer. Any relevant transaction number and the personal account number should be used in all correspondence with the Registrar and Transfer Agent or any distributor.**

**Different subscription procedures may apply if applications for Shares are made through distributors.**

**All applications to subscribe for Shares shall be dealt with on an unknown Net Asset Value basis before the determination of the Net Asset Value per Share for that Dealing Day.**

#### **How to pay**

Save as may be otherwise set out in Appendix 1 regarding a certain Sub-Fund, the amount for the issue price shall be paid or transferred, in the reference currency of the relevant Sub-Fund, on the fourth Business Day following the relevant Applicable NAV into the account of Pictet & Cie (Europe) S.A. or of the distributor, to the order of the Company with reference to the Sub-Fund(s) concerned.

Payment should be made by electronic bank transfer net of all bank charges (i.e. at the Investor's expense).

If, on the settlement date, banks are not open for business in the country of the currency of settlement, then settlement will be on the next Business Day on which those banks are open. If timely settlement is not made, an application may lapse and be cancelled at the cost of the investor or their financial intermediary. Failure to make good settlement by the settlement date may result in the Company bringing an action against the defaulting Investor or their financial intermediary or deducting any costs or losses incurred by the Company or Registrar and Transfer Agent against any existing holding of the investor in the Company. In all cases, any confirmation of transaction and any money returnable to the Investor will be held by the Registrar and Transfer Agent without payment of interest pending receipt of the remittance.

Payments in cash will not be accepted. Third party payments will only be accepted at the Registrar and Transfer Agent's discretion.

Payment should normally be made in the currency of the relevant Class of Shares. However, a currency exchange service for subscriptions is provided by the Registrar and Transfer Agent on behalf of, and at the cost and risk of, the Investor. Further information is available from the Registrar and Transfer Agent or any of the Distributors on request.

Different settlement procedures may apply if applications for Shares are made through distributors.

### **General**

Instructions to subscribe, once given, are irrevocable, except in the case of a suspension or deferral of dealing. The Registrar and Transfer Agent and/or the Company in their absolute discretion reserve the right to reject any application in whole or in part. If an application is rejected, any subscription money received will be refunded at the cost and risk of the investor without interest. Prospective investors should inform themselves as to the relevant legal, tax and exchange control regulations in force in the countries of their respective citizenship, residence or domicile.

The Registrar and Transfer Agent and/or the Company will normally accept applications with instructions for the subscription to be effected at a date later than the date on which such application is made. To be valid, any such application must specify the date on which it is to be effected and a subsequent confirmation of this application must be received by the Registrar and Transfer Agent on the relevant date prior to 16:00 hours.

### **Contribution in Kind**

The Directors may from time to time accept subscriptions for Shares against contribution in kind of securities or other assets which could be acquired by the relevant Sub-Fund pursuant to its investment policy and restrictions. Any such contribution in kind will be made at the Net Asset Value of the assets contributed calculated in accordance with the rules set out in under "Calculation of Net Asset Value" below and will be the subject of the Company auditor's report drawn up in accordance with the requirements of Luxembourg laws. This report will be available for inspection at the registered office of the Company and any related costs incurred will be borne by the Investor. Should the Company not receive good title on the assets, contributed this may result in the Company bringing an action against the defaulting Investor or their financial intermediary or deducting any costs or losses incurred by the Company or Registrar and Transfer Agent against any existing holding of the investor in the Company.

### **Anti money laundering procedures**

Pursuant to the Luxembourg law of 19<sup>th</sup> February 1973, as amended, to combat drug addiction, the law of 5<sup>th</sup> April 1993, as amended, relating to the financial sector, the law of 12<sup>th</sup> November 2004 relating to money laundering and to the circular of the supervisory authority CSSF 08/387, obligations have been imposed on professionals of the financial sector to prevent the use of UCITS funds such as the Company for money-laundering purposes. Within this context a procedure for the identification of Investors has been imposed. That is, the subscription form of an Investor must be accompanied, in the case of individuals, by, inter alia, a copy of the passport or identification card and/or in the case of legal entities, a copy of the statutes and an extract from the commercial register with an indication of the beneficial owners and authorised signatories (any such copy must be certified to be a true copy by one of the following authorities: ambassador, consulate, notary, local police). Such information shall be collected for verification purposes only and shall be covered by the banking and professional secrecy imposed on the Depository Bank and Central Administration Agent.



Such identification procedure may be waived by the Registrar and Transfer Agent in the following circumstances:

- a) in the case of subscription through an intermediary resident in a country which imposes an identification obligation equivalent to that required under Luxembourg law for the prevention of money laundering;
- b) in the case of subscription through an intermediary whose parent is subject to an identification obligation equivalent to that required by Luxembourg law and where the law applicable to the parent imposes an equivalent obligation on its subsidiaries or branches.

It is generally accepted that professionals of the financial sector resident in a country which has ratified the conclusions of the Financial Action Task Force (FATF) report on money laundering are deemed to have an identification obligation equivalent to that required by Luxembourg law.

The absence of documents required for identification purposes may lead to the suspension of a request for subscription and/or redemption. Neither the Company nor the Central Administration of the Company has any liability for delays or failure to process deals as a result of the investor providing no or only incomplete documentation.

## **9. ISSUE PRICE**

The issue price for Shares in each Class is equal to the Net Asset Value of each Share in that Class, dated on the Business Day of the applicable day of subscription.

Under certain circumstances, the Board of Directors has the power to charge a "dilution levy" on the issue price as described hereafter under the Chapter "Dilution Levy". In any case, the effective dilution levy charged on any Applicable NAV shall be identical for all issues affected on such day.

A sales commission of up to 3% of the Net Asset Value of the Shares may be charged by the professional intermediaries to their clients subscribing for Shares.

When specified in the annex, the Management Company may charge an additional commission.

This issue price will also be increased to cover any duties, taxes and stamp duties which may have to be paid.

## 10. REDEMPTION OF SHARES

### Procedure

Shareholders are entitled at any time to redeem all or part of their Shares at the redemption price as determined under "Redemption Price" below, by addressing an irrevocable application for redemption to the Registrar and Transfer Agent, or other authorised establishments. Instructions to redeem Shares may be communicated directly to the Registrar and Transfer Agent either by letter, facsimile transmission or other means approved by the Registrar and Transfer Agent.

Save as may be otherwise set out in Appendix 1 regarding a certain Sub-Fund, for any request for redemption received by the Registrar and Transfer Agent prior to 16.00 hours at the latest of a given Business Day, the Net Asset Value dated the same Business Day will be applicable. For any request for redemption received by the Registrar and Transfer Agent after the deadline set at 16.00 hours on a given Business Day, the Net Asset Value applicable will be the Net Asset Value dated the following Business Day.

However, if the redemption day is, for any reason, not a Business Day, instructions to redeem Shares as per above will be moved to the immediately following Business Day, in which case the calculation of the Net Asset Value to be applied to the transaction will be moved accordingly as per above.

Redemption instructions can only be executed when any previously related transaction has been completed.

Instructions may be given to the Registrar and Transfer Agent by completing the form requesting redemption of Shares or by letter, facsimile transmission or other means approved by the Registrar and Transfer Agent where the account reference and full details of the redemption must be provided. All instructions must be signed by the registered Shareholders, except where sole signatory authority has been chosen in the case of a joint account holding or where a representative has been appointed following receipt of a completed power of attorney. The power of attorney's form acceptable to the Registrar and Transfer Agent is available on request.

Unless waived by the Registrar and Transfer Agent, if, as a result of any redemption request, the amount invested by any Shareholder in a Class of Shares in any one Sub-Fund falls below an amount determined by the Directors as minimum for that Class of Shares, it will be treated as an instruction to redeem the Shareholder's total holding in the relevant Class.

**Different redemption procedures may apply if instructions to redeem Shares are communicated via distributors.**

**All instructions to redeem Shares shall be dealt with on an unknown Net Asset Value basis before the determination of the Net Asset Value per Share for that Dealing Day.**

## **Redemption Proceeds**

Save as may be otherwise set out in Appendix 1 regarding a certain Sub-Fund, redemption proceeds are normally paid by bank transfer on the fourth Business Day from the relevant Applicable NAV, provided the Registrar and Transfer Agent is in receipt of, and approves all documents required. The Company or Registrar and Transfer Agent are not responsible for any delays or charges incurred at any receiving bank or settlement system. Redemption proceeds will normally be paid in the currency of the relevant Class of Shares. On request, redemption proceeds paid by bank transfer may be paid in most other currencies on behalf of, at the cost and risk of, the Shareholder.

If, in exceptional circumstances and for whatever reason, redemption proceeds cannot be paid within five Business Days from the relevant Applicable NAV, for example when the liquidity of the relevant Sub-Fund does not permit, then payment will be made as soon as reasonably practicable thereafter (not exceeding, however, thirty Business Days) at the relevant Applicable NAV.

If, on the settlement date, banks are not open for business in the country of the settlement currency of the relevant Class of Share, then settlement will be on the next Business Day on which those banks are open.

Redemption requests will be considered binding and irrevocable by the Registrar and Transfer Agent and will, at the discretion of the Registrar and Transfer Agent, only be executed where the relevant Shares have been duly issued.

In addition, the Registrar and Transfer Agent and/or the Company will normally accept requests for redemption of Shares to be effected at a date later than the date on which such request is made. To be valid, any such application must specify the date on which it is to be effected and a subsequent confirmation of this application must be received by the Registrar and Transfer Agent on the relevant date prior to 16:00 hours, save as may be otherwise set out in Appendix 1 regarding a certain Sub-Fund.

Different settlement procedures may apply if instructions to redeem Shares are communicated via distributors.

## **General**

Third party payments will only be accepted at the Registrar and Transfer Agent's discretion.

## **11. REDEMPTION PRICE**

The redemption price for Shares in each Class is equal to the Net Asset Value of each Share in that Class dated the Business Day on which application for redemption has been accepted.

A redemption commission of up to 3% of the Net Asset Value of the Shares may be charged by the professional intermediaries to their clients redeeming their Shares.

Under certain circumstances, the Board of Directors has the power to charge a "dilution levy" on the redemption price as described hereafter under the Chapter "Dilution Levy". In any case, the effective dilution levy charged on any Applicable NAV shall be identical for all redemptions affected on such day.

The redemption price will also be reduced to cover any duties, taxes and stamp duties which may have to be paid.

The redemption price could be higher or lower than the subscription price paid, depending on changes in the Net Asset Value.

## **12. CONVERSION OF SHARES**

### **Procedure**

Save as may be otherwise set out in Appendix 1 regarding a certain Sub-Fund, shareholders are entitled at any time to convert all or part of their Shares at the conversion price as determined under "Conversion Price" below, by addressing an irrevocable application for conversion to the Registrar and Transfer Agent, or other authorised establishments. Instructions to convert Shares may be communicated directly to the Registrar and Transfer Agent either by letter, facsimile transmission or other means approved by the Registrar and Transfer Agent. For any request for conversion received by the Registrar and Transfer Agent prior to 16.00 hours at the latest of a given Business Day, the Net Asset Value dated the same Business Day will be applicable.

Save as may be otherwise set out in Appendix 1 regarding a certain Sub-Fund, for any request for conversion received by the Registrar and Transfer Agent after the deadline set at 16.00 hours on a given Business Day, the Net Asset Value applicable will be the Net Asset Value dated the following Business Day.

However, if the conversion day is, for any reason, not a Business Day, instructions to convert Shares as per above will be moved to the immediately following Business Day, in which case the calculation of the Net Asset Value to be applied to the transaction will be moved accordingly as per above.

In cases where dealing is suspended in a Sub-Fund from or to which a conversion has been requested, the processing of the conversion will be held over until the next common Dealing Day where dealings are no longer suspended. Conversion instructions can only be executed when any previously related transaction has been completed.

Instructions may be given to the Registrar and Transfer Agent by completing the conversion form or by letter, facsimile transmission or other means approved by the Registrar and Transfer Agent

where the account reference and the number of Shares to be converted between named Classes of Shares must be provided. All instructions must be signed by the registered Shareholders, except where sole signatory authority has been chosen in the case of a joint account holding or where a representative has been appointed following receipt of a completed power of attorney. The power of attorney's form acceptable to the Registrar and Transfer Agent is available on request.

Shares of any Class in a Sub-Fund may be converted on any Applicable NAV into Shares of the same Class of another Sub-Fund, notwithstanding their distribution policy, except where there is a suspension of the calculation of the Net Asset Value per Share of those Sub-Funds or Classes, as described below. In addition, the Registrar and Transfer Agent may, at its discretion, accept instructions to convert from Shares of one Class of a Sub-Fund into Shares of another Class of the same Sub-Fund.

The number of Shares issued upon conversion will be based upon the Applicable NAV per Share of the Shares of the two relevant Sub-Funds on which the conversion request is affected. Due to the settlement period necessary for redemptions, conversion transactions will not normally be completed until the proceeds from the redemption are available.

Unless waived by the Registrar and Transfer Agent, if, as a result of any conversion request, the amount invested by any Shareholder in a Class of Shares in any one Sub-Fund falls below an amount determined by the Directors as minimum for that Class of Shares, it will be treated as an instruction to convert the Shareholder's total holding in the relevant Class.

Conversion requests will be considered binding and irrevocable by the Registrar and Transfer Agent and will, at the discretion of the Registrar and Transfer Agent, only be executed where the relevant Shares have been duly issued.

In addition, the Registrar and Transfer Agent and/or the Company will normally accept requests for conversion of Shares to be effected at a date later than the date on which such request is made. To be valid, any such application must specify the date on which it is to be effected and a subsequent confirmation of this application must be received by the Registrar and Transfer Agent on the relevant date prior to 16:00 hours, save as may be otherwise set out in Appendix 1 regarding a certain Sub-Fund.

**Different conversion procedures may apply if instructions to convert Shares are communicated via distributors.**

**All instructions to convert Shares shall be dealt with on an unknown Net Asset Value basis before the determination of the Net Asset Value per Share for that Dealing Day.**

### **13. CONVERSION PRICE**

The conversion price is based on the respective Applicable NAVs of the relevant Classes.

Furthermore, a conversion commission of up to 1% of the Net Asset Value of the Shares of the Class into which conversion is requested may be charged by the professional intermediaries to their clients converting their Shares.

No Share fractions shall be attributed upon conversion to the converting Shareholders who shall be deemed to have requested the redemption thereof. In such case, the relevant Shareholder shall be reimbursed the corresponding amount resulting from the differences between the Net Asset Values of the converted Shares.

### **14. DILUTION LEVY**

Under certain circumstances (for example, large volumes of deals) investment and/or disinvestments costs may have an adverse effect on the Shareholders' interest in the Company. In order to prevent this effect, called "dilution", the Board of Directors of the Company has the power to charge a "dilution levy" on the issue, redemption and/or conversion of Shares. If charged, the dilution levy will be paid into the relevant Sub-Fund and will become part of the relevant Sub-Fund. The dilution levy for each Sub-Fund will be calculated by reference to the costs of dealing in the underlying investments of that Sub-Fund, including any dealing spreads commission and transfer taxes.

The need to charge a dilution levy will depend on the volume of issues, redemptions or conversions. The Board of Directors may charge a discretionary dilution levy on the issue, redemption and/or conversion of Shares, if in its opinion; the existing Shareholders (for issues) or remaining Shareholders (for redemptions) might otherwise be adversely affected. In particular, the dilution levy may be charged in the following circumstances:

- I. where a Sub-Fund is in constant decline (large volume of redemption requests);
- II. on a Sub-Fund experiencing substantial issues in relation to its size;
- III. in the case of "large volumes" of redemptions, subscriptions and/or conversions where "large volumes" refers to net redemptions or subscriptions exceeding 5% of the Sub-Fund's entire assets;
- IV. in all other cases where the Board of Directors considers the interests of Shareholders require the imposition of a dilution levy.

In any case, the dilution levy shall not exceed 2% of the Net Asset Value per share.

## 15. CALCULATION OF NET ASSET VALUE

The Net Asset Value as well as the issue, redemption and conversion prices of Shares are calculated by the Central Administration Agent for each Sub-Fund in the reference currency applicable for the Sub-Fund on the basis of the last known prices for the relevant Net Asset Value dates, at intervals which may vary for each Sub-Fund and are specified in the Appendices (each a "Applicable NAV").

The Net Asset Value of a Class of Share of each Sub-Fund will be calculated by dividing the Net Asset Value attributable to that Share Class in that Sub-Fund, being the proportionate value of its assets less its liabilities, by the total number of Shares in the relevant Class outstanding in that Sub-Fund.

The Net Asset Value of a Class of Share of each Sub-Fund will be published with two decimal places.

The Company's total net assets will be expressed in Euros and correspond to the difference between the total assets and the total liabilities of the Company. In order to calculate this value, the net assets of each Sub-Fund will, unless they are already expressed in Euros, be converted into Euros, and added together.

The assets of the Company shall be valued as follows:

- a) securities and other assets listed or dealt in on a stock exchange or another regulated market will be valued at the last available price for the relevant Net Asset Value date; where such securities or other assets are listed or dealt in one or by more than one stock exchange or any other regulated market, the Directors shall make regulations for the order of priority in which stock exchanges or other regulated markets will be used for the provisions of prices of securities or assets;
- b) assets not listed or dealt in on a stock exchange or another organised market, or assets so listed or dealt in for which the last available price is not representative of a fair market value, will be valued, prudently and in good faith, on the basis of their estimated sale prices;
- c) cash in hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received will be valued at their face value with interest accrued;
- d) the units/shares of open-ended undertakings for collective investment will be valued on the basis of the last known relevant Net Asset Value or, if the price so determined is not representative of their fair market value, will be valued as the Directors may deem fair and reasonable. Units/shares of closed-ended undertakings for collective investment will be valued on the basis of their last available relevant market value;
- e) liquid assets and money market instruments which are not listed or dealt in on a stock exchange or another regulated market with remaining maturity of less than twelve months will be valued at their nominal value increased by any interest accrued thereon, if any, such global value being amortised pursuant to the amortised costs method;

- f) futures, forward and options contracts not dealt in on a stock exchange or another regulated market will be valued at their liquidating value determined pursuant to the policies established in good faith by the Directors, on a basis consistently applied for each different variety of contracts. The liquidating value of futures, forward and options contracts dealt in on a stock exchange or another organised market will be based on the last available settlement prices for the relevant Net Asset Value date published by such stock exchange or other regulated market where these particular futures, forward or options contracts are traded. If a futures, forward or options contract could not be liquidated on the valuation day of the relevant assets, the basis for determining the liquidating value of such contract shall be such value as the Directors may deem fair and reasonable;
- g) cash flows which result from swap transactions are calculated at the date of valuation of the zero-coupon swap rate corresponding to the maturity date of these cash flows. The value of the swaps is therefore derived from the difference between these two calculations;
- h) for each Sub-Fund, securities whose value is expressed in a currency other than the reference currency of that Sub-Fund will be converted into that reference currency at the average rate between the last available buy/sell rate for the relevant Net Asset Value date in Luxembourg or, failing that, in a financial centre which is most representative for those securities.
- g) any other security, instrument or asset will be valued, prudently and in good faith, on the basis of their estimated sale prices by the Directors.

If any of the aforesaid valuation principles do not reflect the valuation method commonly used in specific markets or if any such valuation principles do not seem accurate for the purpose of determining the value of the Company's assets, the Directors may implement different valuation principles in good faith and in accordance with generally accepted valuation principles and procedures.

In cases when applications for subscription or redemption are sizeable, the Directors may calculate the value of the Shares on the basis of rates during the trading session on the stock exchanges or markets during which the necessary securities for the Company could be bought or sold. In such cases, a single method of calculation will be applied to all applications for subscription or redemption received at the same time.



## **16. SUSPENSION/DEFERRAL OF CALCULATION OF NET ASSET VALUE, SUBSCRIPTIONS AND REDEMPTIONS**

The Company reserves the right not to accept instructions to redeem or convert on any one Dealing Day more than 10% of the total value of Shares in issue of any Sub-Fund. In these circumstances, the Directors may declare that any such redemption or conversion requests will be deferred until the next Dealing Day and will be valued at the Net Asset Value per Share prevailing on that Dealing Day. On such Dealing Day, deferred requests will be dealt with in priority to later requests and in the order that requests were initially received by the Registrar and Transfer Agent.

The Company reserves the right to extend the period of payment of redemption proceeds to such period, not exceeding thirty Business Days, as shall be necessary to repatriate proceeds of the sale of investments in the event of impediments due to exchange control regulations or similar constraints in the markets in which a substantial part of the assets of the Company are invested or in exceptional circumstances where the liquidity of the Company is not sufficient to meet the redemption requests.

The Board of Directors may temporarily suspend or defer the calculation of the Net Asset Value of any Class of Shares of any Sub-Fund and the issue and redemption of any Class of Shares in such Sub-Fund, as well as the right to convert Shares of any Class in any Sub-Fund into Shares of the same Class of the same Sub-Fund or any other Sub-Fund in the following circumstances:

- when one or more stock exchanges or regulated markets, which provide the basis for valuing a substantial portion of the Company's assets, or when one or more foreign exchange markets in the currency in which the net asset value of Shares is expressed or in which a substantial portion of the Company's assets is held, are closed other than for ordinary holidays or if dealings therein are suspended, restricted or subject to major short-term fluctuations;
- when, as a result of political, economic, military, monetary or social events, strikes or other circumstances outside the responsibility and control of the Company, the disposal of the Company's assets is not reasonably or normally practicable without being seriously detrimental to the Shareholders' interests;
- in the case of a breakdown in the normal means of communication used to determine the value of an asset in the Company or when, for whatever reason, the value of an asset in the Company cannot be calculated as rapidly and as accurately as required;
- if, as a result of exchange controls or other restrictions on the movement of capital, transactions for the Company are rendered impracticable or if purchases or sales of the Company's assets cannot be made at normal rates of exchange;
- upon large requests for redemption, the Company reserves the right to redeem the Shares at a redemption price determined as soon as the necessary sales of assets have been made, taking into account the interests of Shareholders as a whole, and has been in a position to affect the proceeds therefrom. One single price will be calculated for all the subscription, redemption and conversion requests tendered at the same time;
- in the case of the suspension of the calculation of the net asset value of one or several of the undertakings for collective investment in which the Company has invested a substantial portion of its assets;
- following the occurrence of an event giving rise to the winding-up of a Sub-Fund or of

the Company as a whole;

- if the Directors have determined that there has been a material change in the valuations of a substantial proportion of the investments of the Company attributable to a particular Class of Shares in the preparation or use of a valuation or the carrying out of a later or subsequent valuation;
- during any other circumstance or circumstances where a failure to do so might result in the Company or its Shareholders incurring any liability to taxation or suffering other pecuniary disadvantages or other detriment which the Company or its Shareholders might so otherwise have suffered.

The suspension of the calculation of the Net Asset Value of any Sub-Fund or Class shall not affect the valuation of other Sub-Funds or Classes, unless these Sub-Funds or Classes are also affected.

In such cases of suspension or deferral, Shareholders who have submitted applications to subscribe to, redeem or convert Shares in Sub-Funds affected by the suspensions shall be notified in the event that the suspension period is extended. Furthermore, a Shareholder may withdraw their request in respect of any Shares not redeemed or converted, by notice in writing received by the Registrar and Transfer Agent before the end of such period.

The Company may, at any time and at its discretion, temporarily discontinue, cease permanently or limit the issue of Shares in one or more Sub-Funds to individuals or corporate bodies resident or domiciled in some countries or territories. The Company may also prohibit them from acquiring Shares if such a measure is necessary to protect the Shareholders as a whole and the Company.

In addition, the Company is entitled to:

- a) reject, at its discretion, any application to subscribe to Shares;
- b) redeem, at any time, Shares which have been acquired in violation of a measure of exclusion taken by the Company.

## **17. MARKET TIMING**

The Company does not knowingly allow investments which are associated with market timing practices or any other excessive transactional practice which may adversely affect the performance of the Company or harm Investors. The Company reserves the right to reject any subscription or conversion request by, or may decide to redeem the whole holding of, an investor suspected of such practices. It will also take all necessary steps to protect Investors in the Company.

## **18. DIVIDENDS**

The Directors reserve the right to introduce a distribution policy which may vary per Sub-Fund and Share Class, as described in Appendix I.

The Directors may also decide that dividends be automatically reinvested by the purchase of further Shares.

No dividend distribution which may result in the Company's net assets being below EUR 1.25 million can be made.

Dividends not claimed within 5 years following their payment are liable to be forfeited in accordance with the provisions of Luxembourg laws and will accrue for the benefit of the relevant Sub-Fund.

## **19. COMPANY EXPENSES**

### **Management Fees**

The Management Company is entitled to receive out of the net assets of each Sub-Fund an annual management fee specified in the relevant Appendices as a maximum rate.

The annual management fees are calculated as a percentage of the Net Asset Value of each Share Class of each Sub-Fund.

These fees are calculated and accrued daily and are payable quarterly in arrears.

The Management Company is responsible for the payment of the fees and expenses of the Investment Manager and where relevant the Distributor at the exclusion of the administration and maintenance fees linked to platforms such as Fundsettle and others which are accessible to all investors, which will be charged directly to the Company. The Management Company is also entitled to any rounding adjustments.

## Performance Fees

The Management Company will receive from the Company a performance fee per Sub-Fund per Share Class concerned as described in Appendix I. As at the time of issue of this Prospectus, a performance fee applies to all of the Sub-Funds.

Investors should refer to Appendix I for further details as to the exact management fee as well as, where applicable, the performance fee, paid by each Sub-Fund.

## Operating and Administrative Expenses

The Company bears all its ordinary operating and administrative expenses at the rate set out below (“Operating and Administrative Expenses”) to meet all fixed and variable costs, charges, fees, and other expenses incurred in the operation and administration of the Company from time to time. The Operating and Administrative Expenses are calculated as a percentage of the average daily net assets of each Share Class. They are accrued daily and payable quarterly at a maximum rate of 0.35% for all Sub-Fund or Share Class unless specified differently in Appendix I.

The Operating and Administrative Expenses cover:

- a. Expenses directly contracted by the Company, including but not limited to the Depositary Bank fees and expenses, Central Administration fees and expenses, auditing fees and expenses, the Luxembourg Taxe d’Abonnement, ‘Directors’ fees and reasonable out-of-pocket expenses incurred by the Directors.
- b. A “fund servicing fee” paid to the Management Company which will be the remaining amount of the Operating and Administrative Expenses after deduction of the expenses detailed under section a) above.

The Management Company then bears all fees and expenses incurred in the day to day operation and administration of the Company, including but not limited to formation expenses such as organisation and registration costs, accounting expenses covering fund accounting and administration services; transfer agency expenses covering registrar and transfer agency services; the Administrative Agent and Domiciliary Agent services; the fees and reasonable out-of pocket expenses of the paying agents and representatives; legal fees and expenses; ongoing registration, listing and quotation fees, including translation expenses; the cost of publication of the Share prices and postage, telephone, facsimile transmission and other electronic means of communication; and the costs and expenses of preparing, printing, and distributing the Company’s Prospectus, Key Investor Information Documents or any offering document, financial reports and other documents made available to Shareholders. The expenses incurred by the Company in relation to the launch of additional Sub-Funds may, at the discretion of the Board of Directors, be capitalised and amortised over a period not exceeding five years, as permitted by Luxembourg law.

The Management Company will instruct the Company to pay for the expenses directly contracted by the Company (as listed above) as well as for the Fund Administrator Fees and Expenses directly out of the assets of the Company. In such case the fee due to the Management Company is reduced accordingly.

Operating and Administrative Expenses do not include Taxes, Transaction Fees and Extraordinary Expenses (as defined below).

Taxes: The full amount of any tax, levy, duty or similar charge imposed on the Company or its assets and/or on the income and/or the Company to the exception of the Luxembourg Taxe d'Abonnement described above.

Transaction Fees: Each Sub-Fund bears the costs and expenses of buying and selling portfolio securities and financial instruments, brokerage fees and commissions, interest or taxes payable, and other transaction related expenses ("Transaction Fees").

Transaction Fees are accounted for on a cash basis and are paid when incurred or invoiced from the net assets of the Sub-Fund to which they are attributable. Transaction Fees are allocated across each Sub-Fund's Share Classes.

Extraordinary Expenses: The Company bears any extraordinary expenses including, without limitation, litigation expenses and interest. Extraordinary expenses shall also include, without limitation, administration and maintenance fees linked to platforms such as Fundsettle and others which are accessible to all investors, redemption charges, the cost of exceptional and/or ad-hoc measures, including particularly expert tax, consulting, appraisals, filing or legal proceedings undertaken to protect shareholders' interests, any expense linked to non-routine arrangements made by any third party in the interests of the investors and all similar charges and expenses that would not be considered as ordinary expenses by the Board of Directors ("Extraordinary Expenses").

Extraordinary Expenses are accounted for on a cash basis and are paid when incurred or invoiced from the net assets of the Sub-funds to which they are attributable.

For all expenses not included in the Operating and Administrative Expenses, costs and expenses which cannot be allotted to one specific Sub-Fund or Class will be charged to the different Sub-Funds or Classes proportionately to their respective net assets or allocated in such way as the Directors will determine prudently and in good faith.

All recurring expenditure shall be charged first to the Sub-Fund's income, then to realised capital gains, then to the Sub-Fund's assets. Other expenses may be amortised over a period not exceeding five years.

The Board of Directors reserves the right to amend the level of the Operating and Administrative Expenses applicable to each Share Class. In the event of an increase of such expenses, the concerned shareholders will be given at least one month prior notice of such increase. During this notice period, such shareholders may request the redemption of their Shares, free of charge.

## 20. DEFINITION OF "US PERSON," "US TAXPAYER," AND "BENEFIT PLAN INVESTOR"

### "US Person"

A "US Person" for purposes of this Prospectus is a person who is in either of the following two categories: (a) a person included in the definition of "US person" under Rule 902 of Regulation S under the 1933 Act, or (b) a person excluded from the definition of a "Non-United States person" as used in CFTC Rule 4.7. For the avoidance of doubt, a person is excluded from this definition of US Person only if he or it does not satisfy any of the definitions of "US person" in Rule 902 and qualifies as a "Non-United States person" under CFTC Rule 4.7.

"US person" under Rule 902 of Regulation S under the 1933 Act includes the following:

Any natural person resident in the United States;

- (a) any partnership or corporation organised or incorporated under the laws of the United States;
- (b) any estate of which any executor or administrator is a US person;
- (c) any trust of which any trustee is a US person;
- (d) any agency or branch of a non-US entity located in the United States;
- (e) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a US person;
- (f) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated or (if an individual) resident in the United States; and
- (g) any partnership or corporation if:
  - (i) organised or incorporated under the laws of any non-US jurisdiction; and
  - (ii) formed by a US person principally for the purpose of investing in securities not registered under the 1933 Act, unless it is organised or incorporated, and owned, by accredited investors (as defined in Rule 501(a) of Regulation D under the 1933 Act) who are not natural persons, estates or trusts.

Notwithstanding the preceding paragraph, "US person" under Rule 902 does not include: (i) any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-US person by a dealer or other professional fiduciary organised, incorporated, or (if an individual) resident in the United States; (ii) any estate of which any professional fiduciary acting as executor or administrator is a US person, if (A) an executor or administrator of the estate who is not a US person has sole or shared investment discretion with respect to the assets of the estate, and (B) the estate is governed by non-US law; (iii) any trust of which any professional fiduciary acting as trustee is a US person, if a trustee who is not a US person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no

settlor if the trust is revocable) is a US person; (iv) an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country; (v) any agency or branch of a US person located outside the United States if (A) the agency or branch operates for valid business reasons, and (B) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located; and (vi) certain international organisations as specified in Rule 902(k)(2)(vi) of Regulation S under the 1933 Act, including their agencies, affiliates and pension plans.

CFTC Rule 4.7 currently provides in relevant part that the following persons are considered "Non-United States persons":

- (a) a natural person who is not a resident of the United States or an enclave of the US government, its agencies or instrumentalities;
- (b) a partnership, corporation or other entity, other than an entity organised principally for passive investment, organised under the laws of a non-US jurisdiction and which has its principal place of business in a non-US jurisdiction;
- (c) an estate or trust, the income of which is not subject to US income tax regardless of source;
- (d) an entity organised principally for passive investment such as a pool, investment company or other similar entity, provided, that units of participation in the entity held by persons who do not qualify as Non-United States persons or otherwise as qualified eligible persons (as defined in CFTC Rule 4.7(a) (2) or (3)) represent in the aggregate less than ten per cent. of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by persons who do not qualify as Non-United States persons in a pool with respect to which the operator is exempt from certain requirements of Part 4 of the CFTC's regulations by virtue of its participants being Non-United States persons; and
- (e) a pension plan for the employees, officers or principals of an entity organised and with its principal place of business outside the United States.

### **"US Taxpayer"**

"US Taxpayer" includes (i) a US citizen or resident alien of the United States (as defined for US federal income tax purposes); (ii) any entity treated as a partnership or corporation for US federal tax purposes that is created or organised in, or under the laws of, the United States or any state thereof (including the District of Columbia); (iii) any other partnership that is treated as a US Taxpayer under US Treasury Department regulations; (iv) any estate, the income of which is subject to US income taxation regardless of source; and (v) any trust over whose administration a court within the United States has primary supervision and all substantial decisions of which are under the control of one or more US fiduciaries. Persons who have lost their US citizenship and who live outside the United States may nonetheless, in some circumstances, be treated as US Taxpayers.

An investor who is not a US Person may nevertheless be considered a "US Taxpayer" under US federal income tax laws. For example, an individual who is a US citizen residing outside of the United States is not a US Person but is a "US Taxpayer". Such a person need not complete the Supplemental Disclosure Statement for US Persons and US Taxpayers (which is available from the Administrator), but should review the disclosure relating to US taxation therein as the tax consequences described therein will apply to that person.

### **"Benefit Plan Investor"**

"Benefit Plan Investor" is used as defined in US Department of Labor ("DOL") Regulation 29 C.F.R. §2510.3-101 and Section 3(42) of ERISA (collectively, the "Plan Asset Rule") and includes (i) any employee benefit plan subject to Part 4 of Title I of ERISA; (ii) any plan to which Section 4975 of the Code applies (which includes a trust described in Code Section 401(a) that is exempt from tax under Code Section 501(a), a plan described in Code Section 403(a), an individual retirement account or annuity described in Code Section 408 or 408A, a medical savings account described in Code Section 220(d), a health savings account described in Code Section 223(d) and an education savings account described in Code Section 530); and (iii) any entity whose underlying assets include plan assets by reason of a plan's investment in the entity (generally because 25 per cent. or more of a class of equity interests in the entity is owned by plans). An entity described in (iii) immediately above will be considered to hold plan assets only to the extent of the percentage of the equity interests in the entity held by Benefit Plan Investors. Benefit Plan Investors also include that portion of any insurance company's general account assets that are considered "plan assets" and (except if the entity is an investment company registered under the 1940 Act) also include assets of any insurance company separate account or bank common or collective trust in which plans invest.

## **21. TAX ASPECTS**

The Company is subject to Luxembourg tax legislation.

### **The Company**

In accordance with Luxembourg legislation currently in force (which, is therefore, subject to any future changes), the Company is not subject to any tax on income, capital gains tax or wealth tax.

The Company's net assets are subject to a subscription tax of 0.05% per annum payable at the end of each calendar quarter and calculated on the basis of the Company's total net assets at the end of the relevant quarter; such tax is reduced to 0.01% per annum in respect of Classes comprising of Institutional Investors only (as per article 174 of the 2010 Law), as well as in respect of liquidity funds. This tax is not applicable for the portion of the assets of a Sub-Fund invested in other Luxembourg undertakings for collective investment already subject to *taxe d'abonnement*.

Interest and dividend income received by the Company may be subject to non-recoverable withholding tax in the countries of origin. The Company may further be subject to tax on the realised or unrealised capital appreciation of its assets in the countries of origin.

No stamp duty or other tax is payable in Luxembourg on the issue of Shares in the Company.



## Shareholders

Shareholders are not normally subject to any capital gains, income, withholding, gift, estate, inheritance or other taxes in Luxembourg except for Shareholders domiciled, resident or having a permanent establishment in Luxembourg, and except for certain former residents of Luxembourg and non-residents if owning more than 10% of the share capital of the Company, disposing of it in whole or part within six months of acquisition.

**However, it is incumbent upon any purchasers of Shares in the Company to inform themselves about the relevant legislation and tax regulations applicable to the acquisition, holding and sale of Shares with regard to their residence qualifications and nationality.**

## 22. EUROPEAN UNION TAX CONSIDERATIONS

The Company may be required to report certain information about its Shareholders and, as the case may be, about individuals controlling Shareholders that are entities, on an automatic and annual basis to the Luxembourg direct tax administration (Administration des contributions directes) in accordance with, and subject to, the Luxembourg law of 21 June 2005 implementing the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and/or the Luxembourg legislation implementing Council Directive 2014/107/EU and the standard for automatic exchange of financial account information in tax matters developed by the OECD with the G20 countries (commonly referred to as the “Common Reporting Standard”), each as amended from time to time (each an “AEOI Law” and collectively the “AEOI Laws”). Such information, which may include personal data (including, without limitation, the name, address, country(ies) of tax residence, date and place of birth and tax identification number(s) of any reportable individual) and certain financial data about the relevant Shares (including, without limitation, their balance or value and gross payments made thereunder), will be transferred by the Luxembourg direct tax administration to the competent authorities of the relevant foreign jurisdictions in accordance with, and subject to, the relevant Luxembourg legislation and international agreements.

Each Shareholder and prospective investor agrees to provide, upon request by the Company (or its delegates), any such information, documents and certificates as may be required for the purposes of the Company’s identification and reporting obligations under any AEOI Law. The Company reserves the right to reject any application for Shares or to redeem Shares (i) if the prospective investor or Shareholder does not provide the required information, documents or certificates or (ii) if the Company (or its delegates) has reason to believe that the information, documents or certificates provided to the Company (or its delegates) are incomplete or incorrect and the Shareholder does not provide, to the satisfaction of the Company (or its delegates), sufficient information to cure the situation. Prospective investors and Shareholders should note that incomplete or inaccurate information may lead to multiple and/or incorrect reporting under the AEOI Laws. Neither the Company nor any other person accepts any liability for any consequences that may result from incomplete or inaccurate information provided to the Company (or its delegates). Any Shareholder failing to comply with the Company’s information requests may be charged with any taxes and penalties imposed on the Company attributable to such Shareholder’s failure to provide complete and accurate information.

Each Shareholder and prospective investor acknowledges and agrees that the Company will be responsible to collect, store, process and transfer the relevant information, including the personal data, in accordance with the AEOI Laws. Each individual whose personal data has been processed for the purposes of any AEOI Law has a right of access to his/her personal data and may ask for a rectification thereof in case where such data is inaccurate or incomplete.

## **23. ALKEN FUND UNDER THE US FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)**

The US Foreign Account Tax Compliance Act (“FATCA”) aims at preventing US tax evasion by requiring foreign (non-US) financial institutions to report to the US Internal Revenue Service information on financial accounts held outside the United States by US investors. US securities held by a non-US financial institution that does not comply with the FATCA reporting regime will be subject to a US tax withholding of 30% on gross sales proceeds and income, commencing on 1<sup>st</sup> July 2014.

Luxembourg has entered into a Model I Intergovernmental Agreement (the “IGA”) with the US on 28<sup>th</sup> March 2014. Under the terms of the IGA, the Company will be obliged to comply with the provisions of FATCA under the terms of the IGA and under the terms of Luxembourg legislation implementing the IGA (the “Luxembourg IGA Legislation”). Under the IGA, Luxembourg-resident financial institutions that comply with the requirements of the Luxembourg IGA Legislation will be treated as compliant with FATCA and, as a result, will not be subject to withholding tax under FATCA (“FATCA Withholding”). In order to elect for and keep such FATCA status, the Company only allows (i) participating foreign financial institutions, (ii) deemed-compliant foreign financial institutions, (iii) non-reporting IGA foreign financial institutions, (iv) exempt beneficial owners (v), Active Non-Financial Foreign Entities (“Active NFFE”) or (vi) non-specified US persons, all as defined under FATCA as shareholders; accordingly, investors may only subscribe for and hold Shares through a financial institution that complies or is deemed to comply with FATCA. The Company may impose measures and/or restrictions to that effect, which may include the rejection of subscription orders or the compulsory redemption of Shares, as further detailed in this Prospectus and in the Articles, and/or the withholding of the 30% tax from payments to the account of any shareholder found to qualify as a “recalcitrant account” or “non-participating foreign financial institution” under FATCA. Prospective investors should (i) consult their own tax advisors regarding the impact of FATCA further to an investment in the Company and (ii) be advised that although the Company will attempt to comply with all FATCA obligations, no assurance can be given that it will be able to satisfy the such obligations and therefore to avoid FATCA Withholding. The attention of US taxpayers is drawn to the fact that the Company qualifies as a passive foreign investment company (“PFIC”) under US tax laws and does not intend to provide information that would allow such investors to elect to treat the Company as a qualified electing fund (so-called “QEF election”).

## **24. FINANCIAL YEAR**

The financial year of the Company ends on the 31<sup>st</sup> December of each year and for the first time on 31<sup>st</sup> December 2006.

## **25. PERIODICAL REPORTS AND PUBLICATIONS**

The Company publishes an audited annual report within four months after the end of the financial year and an unaudited semi-annual report within two months after the end of the period to which it refers.

The annual report includes accounts of the Company and of each Sub-Fund.

All these reports will be made (free of charge) available to the Shareholders upon request at the registered office of the Company, the Depositary Bank and other establishments appointed by the Depositary Bank.

The Net Asset Value per Share of each Class in each Sub-Fund as well as the issue and redemption prices will be made public at the offices of the Depositary Bank.

Any amendments to the Articles will be published in the Mémorial.

## **26. RIGHTS ON A WINDING-UP: DURATION - MERGER - DISSOLUTION OF THE COMPANY AND THE SUB-FUNDS**

The Company has been established for an unlimited period. However, the Company may be liquidated at any time by a resolution adopted by an extraordinary meeting of Shareholders, at which meeting one or several liquidators will be named and their powers defined.

If the Company's share capital falls below two-thirds of the minimum capital required by law, the Board of Directors must refer the matter of dissolution to the General Meeting, deliberating without any quorum and deciding by a simple majority of the shares represented at the meeting.

If the Company's share capital is less than a quarter of the minimum capital required, the directors must refer the matter of dissolution of the Company to the General Meeting, deliberating without any quorum; dissolution may be decided by shareholders holding a quarter of the shares represented at the meeting.

The Board of Directors may decide to merge a sub-fund of the Company's with another sub-fund of the Company or with another UCITS (Luxembourg or foreign) in accordance with the Law of 2010. The Board of Directors may in addition decide to submit the decision to merge to the General Meeting of the shareholders of the sub-fund concerned. Any decision of the shareholders as described above will not be subject to a quorum requirement and will be adopted by simple majority of the votes cast. If, following a merger of one or more sub-funds, the Company should cease to exist; the merger will be decided by the General Meeting of shareholders deliberating in compliance with the majority and quorum conditions required for amending the Company's Articles of Association.

The Board of Directors may also propose to dissolve a sub-fund and cancel its shares at the General Meeting of Shareholders of the sub-fund. This meeting will deliberate without any quorum requirement and the decision to dissolve the sub-fund will be taken by a majority of the shares from the sub-fund in question represented at the meeting.

If a Sub-Fund's total net assets fall below or fail to achieve the amount set by the Board of Directors as the minimum value that allows this Sub-Fund or share category to be managed efficiently, or if justified by a change in the economic situation or political circumstances affecting a sub-fund or for economic rationalisation or if it is in the interests of the shareholders, the Board of Directors may, at any time, decide to close the sub-fund in question and cancel the shares of that sub-fund.

In the event of the dissolution of a sub-fund or the Company, the liquidation will be carried out pursuant to the applicable Luxembourg laws and regulations that define the procedures to enable shareholders to benefit from liquidation dividends and in this context provides for the depositing of any amount that could not be distributed to shareholders when the liquidation is complete with the Caisse de Consignation in Luxembourg. Any amounts deposited that are not claimed will be subject to time-barring in accordance with Luxembourg law. The net proceeds from the liquidation of each sub-fund will be distributed to holders of shares in the class in question in proportion to the number of shares they hold in that class.

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

The following documents are deposited and kept available for inspection at the offices of the Depositary Bank and the Company's registered office:

- the Prospectus
- the Key Investor Information Document,;
- the Articles;
- the Management Company Services Agreement concluded between the Management Company and the Company;
- the Depositary Agreement concluded between Pictet & Cie (Europe) S.A. and the Company;
- the Central Administration Agreement in relation to Registrar, Transfer, Domiciliary, Corporate, Paying and Administrative Agent Functions concluded between Pictet & Cie (Europe) S.A. (FundPartner Solutions (Europe) S.A. as from 1<sup>st</sup> January 2012) and the Management Company;
- the Investment Management Agreement concluded between Alken Asset Management Ltd. and the Management Company;
- the annual and semi-annual reports of the Company.

## **28. INVESTMENT RESTRICTIONS**

The Board of Directors has adopted the following restrictions relating to the investment of the Company's assets and its activities. These restrictions and policies may be amended from time to time by the Board of Directors if and as it shall deem it to be in the best interests of the Company, in which case this Prospectus will be updated.

The investment restrictions imposed by Luxembourg law must be complied with by each Sub-Fund, unless otherwise provided for a Sub-Fund in Appendix I. Those restrictions contained in paragraph (E) below are applicable to the Company as a whole.

### **1. INVESTMENTS IN ELIGIBLE ASSETS**

- A** (1) Investments in the Company shall comprise exclusively of:
- a) Transferable Securities and Money Market Instruments listed or dealt in on a Regulated Market; and/or
  - b) Transferable Securities and Money Market Instruments dealt in on an Other Regulated Market in a Member State; and/or
  - c) Transferable Securities and Money Market Instruments admitted to official listing on a stock exchange in an Other State or dealt in on an Other Regulated Market in an Other State; and/or
  - d) recently issued Transferable Securities and Money Market Instruments, provided that the terms of issue include an undertaking that application will be made for admission to official listing on a Regulated Market, an official stock exchanges in an Other State or on an Other Regulated Market referred to above under (a) to (c) and that such a listing will be obtained within one year of the date of issue.
  - e) units of UCITS and/or other UCIs, whether situated in a Member State or not, provided that:
    - such other UCIs have been authorised under the laws which provide that they are subject to supervision considered by the Regulatory Authority to be equivalent to that laid down in Community law, and that cooperation between authorities is sufficiently ensured (at the time of the present prospectus, the laws of Canada, Hong Kong, Japan, Norway, Switzerland or the United States),
    - the level of protection for unit holders in such other UCIs is equivalent to that provided for unit holders in a UCITS, and in particular that the rules on assets segregation, borrowing, lending, and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of the UCITS Directive,
    - the business of such other UCIs is reported in half-yearly and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period,

- no more than 10% of the assets of the UCITS or of the other UCIs, whose acquisition is contemplated, can, according to their constitutional documents, in aggregate be invested in units of other UCITS or other UCIs; and/or

A Sub-Fund of the Company (the “Investing Sub-Fund”) may invest in another Sub-Fund of the Company (hereafter the “Target Sub-Fund”) provided that:

- the Target Sub-Fund does not, in turn, invest in the Investing Sub-Fund; and
  - no more than 10% of the net assets of the Target Sub-Fund whose acquisition is contemplated may, pursuant to its constitutional documents, be invested in aggregate in shares of other Sub-Funds; and
  - voting rights, if any, attaching to the relevant securities are suspended for as long as they are held by the Sub-Fund and without prejudice to the appropriate processing in the accounts and the periodic reports; and
  - in any event, for as long as these securities are held by the Investing Sub-Fund, their value will not be taken into consideration for the calculation of the net assets of the Company for the purposes of verifying the minimum threshold of the net assets imposed by the 2010 Law; and
  - there is no duplication of management/subscription or redemption fees between those at the level of the Investing Sub-Fund having invested in the Target Sub-Fund and this Target Sub-Fund.
- f) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in a Member State or, if the registered office of the credit institution is situated in an Other State provided that it is subject to prudential rules considered by the Regulatory Authority as equivalent to those laid down in Community law; and/or
- g) financial derivative instruments, including equivalent cash-settled instruments, dealt in on a Regulated Market, stock exchange in an Other State or on an Other Regulated Market referred to in subparagraphs (a) to (c) above, and/or financial derivative instruments dealt in over-the-counter ("OTC derivatives") provided that:
- the underlying consists of instruments covered by this section (A)(1), financial indices, interest rates, foreign exchange rates or currencies, in which the Sub-Funds may invest according to their investment objective;
  - the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the Regulatory Authority;
  - the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company's initiative.

- h) Money Market Instruments other than those dealt in on a Regulated Market or on an Other Regulated Market, if the issuer or the issuer of such instruments are themselves regulated for the purpose of protecting investors and savings, and provided that such instruments are:
- issued or guaranteed by a central, regional or local authority or by a central bank of an EU Member State, the European Central Bank, the European Union or the European Investment Bank, an Other State or, in case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more Member States belong, or
  - issued by an undertaking any securities of which are dealt in on Regulated Markets or Other Regulated Market referred to in (a) to (c) above, or
  - issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by Community law, or by an establishment which is subject to and complies with prudential rules considered by the Regulatory Authority to be at least as stringent as those laid down by Community law, or
  - issued by other bodies belonging to the categories approved by the Regulatory Authority provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount to at least EUR 10 million and which presents and publishes its annual accounts in accordance with directive 78/660/EEC, is an entity which, within a Group of Companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

(2) In addition, the Company may invest a maximum of 10% of the net asset value of any Sub-Fund in Transferable Securities and Money Market Instruments other than those referred to under (A)(1) above.

**B** Each Sub-Fund may hold ancillary liquid assets.

**C** (1) Each Sub-Fund may invest no more than 10% of its net asset value in Transferable Securities or Money Market Instruments issued by the same body.

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

(2) (i) Furthermore, where any Sub-Fund holds investments in Transferable Securities and Money Market Instruments of any issuing body which individually exceed 5% of the net asset value of such Sub-Fund, the total value of all such investments must not account for more than 40% of the net asset value of such Sub-Fund;

(ii) This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.

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

(ii) Investment in financial derivative instruments shall only be made provided that the exposure to the underlying assets does not exceed in aggregate the investment limits set forth in (C)( 1), (C)(2)(i), (C)(3)(i) and (v), (C)(4), (C)(5) and (C)(6)(i) and (iii). When the Sub-Fund invests in index-based financial derivative instruments, these investments do not have to be combined to the limits set forth in (C)( 1), (C)(2)(i), (C)(3)(i) and (v), (C)(4), (C)(5) and (C)(6)(i) and (iii).

(iii) When a Transferable Security or Money Market Instrument embeds a derivative, the latter must be taken into account when complying with the requirements of (A)(1)(g), 2d indent, and (C)(3)(iv) as well as with the risk exposure and information requirements laid down in this Prospectus.

(iv) The Company shall ensure that its global exposure relating to derivative instruments does not exceed the total net value of its portfolio.

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

(v) Notwithstanding the individual limits laid down in paragraph (C)(1), C(2)(i) and C(3)(i), a Sub-Fund may not combine:

- investments in transferable securities or Money Market Instruments issued by,
- deposits made with, and/or
- exposures arising from OTC derivative transactions undertaken with a single body in excess of 20% of its net assets.

- (4) The limit of 10% laid down in paragraph (C)(1) above shall be 35% in respect of Transferable Securities or Money Market Instruments which are issued or guaranteed by a Member State, its local authorities or by any Other State or by public international bodies of which one or more Member States are members.

- (5) (i) The limit of 10% set forth below under (C)(1) above is increased up to 25% in respect of qualifying debt securities issued by a credit institution which has its registered office in a Member State and which, under applicable law, is submitted to specific public control in order to protect the holders of such qualifying debt securities. For the purposes hereof, "qualifying debt securities" are securities the proceeds of which are invested in accordance with applicable law in assets providing a return which will cover the debt service through to the maturity date of the securities and which will be applied on a priority basis to the payment of principal and interest in the event of a default by the issuer. To the extent that a relevant Sub-Fund invests more than 5% of its net assets in debt securities issued by such an issuer, the total value of such investments may not exceed 80% of the net assets of such Sub-Fund.



(ii) The securities and Money Market Instruments specified under (i) and (C)(4) above shall not be included in the calculation of the limit of 40% under (C)(2)(i).

- (6) (i) The limits set out in paragraphs (C)(1), C(2)(i), (C)(3)(i) and (v), (C)(4) and (5)(i) above may not be aggregated and, accordingly, the value of investments in Transferable Securities and Money Market Instruments issued by the same body, in deposits or derivative instruments made with this body, effected in accordance with paragraphs (C)(1), C(2)(i), (C)(3)(i) and (v), (C) (4) and (5)(i) may not, in any event, exceed a total of 35% of each Sub-Fund's net asset value.

(ii) Companies which are included in the same group for the purposes of consolidated accounts, as defined in accordance with directive 83/349/EEC or in accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the limits contained in this paragraph (C).

(iii) A Sub-Fund may cumulatively invest up to 20% of its net assets in Transferable Securities and Money Market Instruments within the same group.

- (7) **Where any Sub-Fund has invested in accordance with the principle of risk spreading in Transferable Securities and Money Market Instruments issued or guaranteed by a Member State, by its local authorities or by any OECD member state, or by public international bodies of which one or more Member States are members, the Company may invest 100% of the net asset value of any Sub-Fund in such securities and Money Market Instruments provided that such Sub-Fund must hold securities from at least six different issues and the value of securities from any one issue must not account for more than 30% of the net asset value of the Sub-Fund.**

Subject to having due regard to the principle of risk spreading, a Sub-Fund need not comply with the limits set out in Articles 43 to 46 of the 2010 Law for a period of 6 months following the date of its authorisation and launch.

- (8) Without prejudice to the limits set forth hereafter under (E), the limits set forth in (C) (1) are raised to a maximum of 20% for investments in shares and/or bonds issued by the same body when the aim of the Sub-Fund's investment policy is to replicate the composition of a certain stock or bond index in accordance with the article 9 of the Grand-Ducal reglementation dated 8<sup>th</sup> February 2008, on the following basis:

- the composition of the index is sufficiently diversified,
- the index represents an adequate benchmark for the market to which it refers,
- it is published in an appropriate manner.

The limit of 20% is raised to 35% where that proves to be justified by exceptional market conditions in particular in Regulated Markets where certain Transferable Securities or Money Market Instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.

- D** The Company may not borrow for the account of any Sub-Fund, other than amounts which do not in aggregate exceed 10% of the net asset value of the Sub-Fund, and then only as a temporary measure. For the purpose of this restriction back to back

loans for the purpose of acquiring foreign currency are not considered to be borrowings.

**E** (i) The Company may not acquire shares carrying voting rights which would enable the Company to exercise significant influence over the management of the issuing body.

(ii) The Company may acquire no more than (a) 10% of the non-voting shares of the same issuer, (b) 10% of the debt securities of the same issuer, and/or (c) 10% of the Money Market Instruments of any single issuer. However, the limits laid down in (b) and (c) above may be disregarded at the time of acquisition if at that time the gross amount of the debt securities or of the Money Market Instruments or the net amount of instruments in issue cannot be calculated.

The limits set out in paragraph (E) (i) and (ii) above shall not apply to:

- (i) Transferable Securities and Money Market Instruments issued or guaranteed by a Member State or its local authorities;
- (ii) Transferable Securities and Money Market Instruments issued or guaranteed by any Other State;
- (iii) Transferable Securities and Money Market Instruments issued by public international bodies of which one or more Member States are members; or
- (iv) shares held in the capital of a company incorporated in a non-EU member state which invests its assets mainly in the securities of issuing bodies having their registered office in that state where, under the legislation of that state, such holding represents the only way in which such Sub-Fund's assets may invest in the securities of the issuing bodies of that state, provided, however, that such company in its investment policy complies with the limits laid down in Articles 43, 46 and 48 (1) and (2) of the 2010 Law.

- F**
- (i) Each Sub-Fund may acquire units of the UCITS and/or other UCIs referred to in paragraph (A)(e), provided that no more than 10% of a Sub-Fund's net assets be invested in aggregate in the units of UCITS or other UCIs.
  - (ii) When a Sub-Fund invests in the units or shares of other UCITS and/or other UCIs which are:
    - a) managed directly or indirectly by the Investment Manager of said Sub-Fund, or
    - b) managed by a company to which said Sub-Fund is associated (i) by way of common management, (ii) by way of common control or (iii) by way of a direct or indirect holding of more than 10% of the capital or votes, said Sub-Fund can only charge a reduced management fee of up to 0.25% on the portion of the assets invested in such UCITS and/or UCI; on the contrary, no issue or redemption fees may be further charged by said Sub-Fund on aforementioned portion of asset
  - (iii) The Company may acquire no more than 25% of the units of the same UCITS and/or other UCI. This limit may be disregarded at the time of acquisition if at that time the gross amount of the units in issue cannot be calculated. In case of a UCITS or other UCI with multiple sub-funds, this restriction is applicable by reference to all units issued by the UCITS/UCI concerned, all sub-funds combined.
  - (vi) The underlying investments held by the UCITS or other UCIs in which the Sub-Funds invest do not have to be considered for the purpose of the investment restrictions set forth under 1. (C) above.
- G**
- Under the conditions and within the limits laid down by the 2010 Law, the Company may, to the widest extent permitted by the Luxembourg laws and regulations (i) create any Sub-Fund qualifying either as a feeder UCITS (a "Feeder UCITS") or as a master UCITS (a "Master UCITS"), (ii) convert any existing Sub-Fund into a Feeder UCITS, or (iii) change the Master UCITS of any of its Feeder UCITS.
- (a) A Feeder UCITS shall invest at least 85% of its assets in the units/shares of another Master UCITS.
  - (b) A Feeder UCITS may hold up to 15% of its assets in one or more of the following:
    - ancillary liquid assets (excluding direct investment in commodities and precious metals);
    - financial derivative instruments, which may be used only for hedging purposes;

- (c) For the purposes of compliance with Article 42 (3) of the 2010 Law, the Feeder UCITS shall calculate its global exposure related to financial derivative instruments by combining its own direct exposure under the second indent under b) with either:
- the Master UCITS actual exposure to financial derivative instruments in proportion to the Feeder UCITS investment into the Master UCITS or;
  - the Master UCITS potential maximum global exposure to financial derivative instruments provided for in the Master UCITS management regulations or instruments of incorporation in proportion to the Feeder UCITS investment into the Master UCITS.

Similarly, if a new Sub-Fund is created, while ensuring observance of the principle of risk-spreading, the limits set forth do not have to be complied with by the newly authorised Sub-Fund for a period of six months after the date of its launch in accordance with article 49(1) of the 2010 Law.

If these limits are exceeded for reasons beyond the control of the Company or as a result of the exercise of subscription rights, it must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account the interests of its shareholders.

The investment limits laid down above may be exceeded whenever subscription rights attaching to securities which form part of the Company's assets are being exercised.

If such limits are exceeded as a result of exercising subscription rights or for reasons beyond the Company's control, the Company shall endeavour as a priority aim to redress the balance, while taking due account of the interests of the Company's Shareholders.

The Company reserves the right to introduce other investment restrictions at any time, provided that they are compatible with Part I of the 2010 Law and essential to compliance with laws and regulations in force in certain non Member States where the shares of the Company may be offered or sold.

## **2. PROHIBITED INVESTMENTS**

- A** The Company will not make investments in precious metals or certificates representing these.
- B** The Company may not enter into transactions involving commodities or commodity contracts, except that the Company may employ techniques and instruments relating to Transferable Securities within the limits set out in paragraph 3 below.
- C** The Company will not purchase or sell real estate or any option, right or interest therein, provided the Company may invest in securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein.
- D** The Company may not carry out uncovered sales of Transferable Securities, other financial instruments or Money Market Instruments referred to in 1.(A) (1) (e), (g) and (h).
- E** The Company may not borrow for the account of any Sub-Fund, other than amounts which do not in aggregate exceed 10% of the net asset value of the Sub-Fund, and then only as a temporary measure. For the purpose of this restriction back to back loans for the purposes of acquiring foreign currency are not considered to be borrowings.
- F** The Company will not mortgage, pledge, hypothecate or otherwise encumber as security for indebtedness any securities held for the account of any Sub-Fund, except as may be necessary in connection with the borrowings mentioned in (E) above, and then such mortgaging, pledging, or hypothecating may not exceed 10% of the net asset value of each Sub-Fund. In connection with swap transactions, option and forward exchange or futures transactions the deposit of securities or other assets in a separate account shall not be considered a mortgage, pledge or hypothecation for this purpose.
- G** The Company will not underwrite or sub-underwrite securities of other issuers.
- H** The Company is not authorised to allocate credits for the account of a Sub-Fund.

### **3. FINANCIAL DERIVATIVE INSTRUMENTS AND STRUCTURED PRODUCTS**

Except otherwise specified in the annex I relating to a Sub-Fund, any Sub-Fund may, for hedging and for efficient management purposes, use all types of financial derivative instruments traded on a regulated market and/or over the counter (OTC) provided they are contracted with leading financial institutions specialised in this type of transactions and subject to regulatory supervision. In particular, a Sub-Fund may take exposure through any financial derivative instruments such as but not limited to warrants, futures, options, swaps (including but not limited to total return swaps, contracts for difference, credit default swaps) and forwards on any underlying in line with the 2010 Law as well as the investment policy of the Sub-Fund, including but not limited to, currencies (including non delivery forwards), interest rates, transferable securities, basket of transferable securities, indices (including but not limited to commodities, precious metals or volatility indices), undertakings for collective investment.

Except otherwise specified in the annex I relating to a Sub-Fund, any Sub-Fund may invest in structured products, such as but not limited to notes, certificates or any other transferable securities whose returns are correlated with changes in, among others, an index selected in accordance with the article 9 of the grand-ducal regulation dated 8<sup>th</sup> February 2008 (including indices on volatility, commodities, precious metals, etc.), currencies, exchange rates, transferable securities or a basket of transferable securities or an undertaking for collective investment, at all times in compliance with the grand-ducal regulation.

In compliance with the grand-ducal regulation, the concerned Sub-Fund may also invest in structured products without embedded derivatives, correlated with changes in commodities (including precious metals) with cash settlement.

All revenues arising from efficient portfolio management techniques<sup>1</sup> (“EPM”), net of direct and indirect operational costs and fees, will be returned to the Company. Nevertheless, agents and other intermediaries of the Company providing services in connection with such techniques may be remunerated through fees that are expressed as a percentage of gross revenues earned by the Company through the use of such EPM. Information on direct and indirect operational costs and fees that may be incurred in this respect as well as the identity of the entities to which such costs and fees are paid – as well as any relationship they may have with the Depositary Bank or Investment Manager – will be available in the annual report of the Company.

### **4. SECURITIES FINANCING TRANSACTIONS AND REUSE**

Investments into securities financing transactions as defined under EU Regulation 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 (the “SFTR”) are not foreseen. Should the Company in the future consider to enter into any relevant transactions falling under the SFTR, the Prospectus will be updated beforehand with all relevant information in accordance with article 14.2 of the SFTR.

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<sup>1</sup> The term *efficient portfolio management techniques* includes securities lending, repurchase agreements and reverse repurchase agreements (ESMA guidelines 12/832)

## **5. SPECIAL TECHNIQUES AND INSTRUMENTS**

### **A General**

Unless further restricted by the investment policies of a specific Sub-Fund as described in the Appendices below, the Company may employ techniques and instruments relating to Transferable Securities and Money Market Instruments for hedging purposes.

When these operations concern the use of derivative instruments, these conditions and limits shall conform to the provisions laid down above under "1. Investments in Eligible Assets".

Under no circumstances shall these operations cause a Sub-Fund to diverge from its investment objectives.

### **B Securities lending**

Unless further restricted by the investment policies of a specific Sub-Fund as described in the Appendices below, the Company may enter into securities lending and borrowing transactions provided that they comply with the following rules:

- 1) The Company may only lend securities which it holds in portfolio through a standard securities lending scheme, organised by an authorised securities clearing house or a first-rate financial institution specialised in such operations.

The Company may only enter into securities lending transactions provided that it is entitled at any time under the terms of the agreement to request the return of the securities lent or to terminate the agreement.

Securities lending operations may not involve more than 50% of the estimated total value of the securities held in portfolio, it being understood that this ceiling is not applicable if the Company is entitled to demand, at all times, that the contract be terminated and the securities returned. Securities lending operations may not last for longer than 30 days.

Under the terms of securities lending operations, the Company shall in principle receive in return a guarantee whose value at the time of the conclusion of the contract shall be at least equal to the total estimated value of the securities lent and shall remain so for the duration of the securities lending transaction. This guarantee shall be in the form of:

- liquid assets, and/or
- securities issued or guaranteed by OECD member states, by their local authorities or by supranational institutions and undertakings of a community regional or worldwide nature and/or by first class financial institutions, and blocked in the Company's name until the contract to lend securities expires, and/or
- shares listed on an EU stock exchange issued by a highly rated financial institution and entered in an escrow account in the name of the Company until the expiry date of the loan contract

Such a guarantee shall not be required if the securities lending is made through recognised clearing institutions or through any other organisation assuring to the lender a reimbursement of the value of the securities lent, by way of a guarantee or otherwise.

- 2) The Company may borrow securities under the following circumstances in connection with the settlement of a sale transaction: (a) during a period the securities have been sent out for re-registration; (b) when the securities have been loaned and not returned in time; (c) to avoid a failed settlement when the Depository Bank fails to make delivery.

The securities borrowed by the Company may not be disposed of during the time they are held by the Company, unless they are covered by sufficient financial instruments which enable the Company to reconstitute the borrowed securities at the close of the transaction.

Borrowing transactions may not exceed 50% of the global valuation of the securities portfolio of each Sub-Fund, nor may they last for longer than 30 days.

## C Repurchase Agreements

The Company may, from time to time and on an ancillary basis, enter into repurchase agreements, which consist in the purchase and sale of securities whereby the terms of the agreement entitle the seller to repurchase from the purchaser the securities at a price and at a time agreed amongst the two parties at the conclusion of the agreement. The Company may act either as purchaser or seller in repurchase transactions. The Company may purchase or sell securities in the context of a repurchase agreement only if its counterpart is a highly rated financial institution specialised in this type of transactions. During the lifetime of a repurchase agreement, the Company may not sell the securities which are the object of the agreement either before the repurchase of the securities by the counterparty has been carried out or the repurchase period has expired. , The Company must ensure to maintain the importance of purchased securities subject to a repurchase obligation at a level such that it is able, at all times, to meet its obligations to redeem its own Shares at the request of its Shareholders.



- 1) The Company's involvement in such transactions is, however, subject to the additional following rules:

The counterparty to these transactions must be subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by EU law;

- 2) The Company may only enter into reverse repurchase agreement and/or repurchase agreement transactions provided that it is able at any time (a) to recall the full amount of cash in a reverse repurchase agreement or any securities subject to a repurchase agreement or (b) to terminate the agreement in accordance with applicable regulations. However, fixed-term transactions that do not exceed seven days should be considered as arrangements on terms that allow the assets to be recalled at any time by the Company.

#### D Management of collateral and collateral policy

##### 1) General

In the context of OTC financial derivatives transactions and efficient portfolio management techniques, the Company may receive collateral with a view to reduce its counterparty risk. This section sets out the collateral policy applied by the Company in such case. All assets received by the Company in the context of efficient portfolio management techniques (securities lending, repurchase or reverse repurchase agreements) shall be considered as collateral for the purposes of this section.

##### 2) Eligible collateral

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

- (a) Any collateral received other than cash should be of high quality, highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation;
- (b) It should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place;
- (c) It should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;
- (d) It should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure of 20% of the Company's net asset value to any single issuer on an aggregate basis, taking into account all collateral received.
- (e) It should be capable of being fully enforced by the Company at any time without reference to or approval from the counterparty.

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

- (a) Cash and cash equivalents, including short-term bank certificates and Money Market Instruments
  - (b) Bonds issued or guaranteed by a Member State of the OECD or by their local public authorities or by supranational institutions and undertakings with EU, regional or worldwide scope
  - (c) Shares or units issued by money market UCIs calculating a daily net asset value and being assigned a rating of AAA or its equivalent
  - (d) Shares or units issued by UCITS investing mainly in bonds/shares mentioned in (e) and (f) below
  - (e) Bonds issued or guaranteed by first class issuers offering adequate liquidity
  - (f) Shares admitted to or dealt in on a regulated market of a Member State of the EU or on a stock exchange of a Member State of the OECD, on the condition that these shares are included in a main index
- 3) Level of collateral

The level of collateral required across all efficient portfolio management techniques or OTC derivatives will be at least 100% of the exposure to the relevant counterparty. This will be achieved by applying the haircut policy set out below.

### Haircut policy

Collateral will be valued on a daily basis, using available market prices and taking into account appropriate discounts which will be determined by the Company for each asset class based on its haircut policy. This policy takes into account a variety of factors, depending on the nature of the collateral received, such as the issuer's credit standing, the maturity, currency, price volatility of the assets and, where applicable, the outcome of liquidity stress tests carried out by the Company under normal and exceptional liquidity conditions. No haircut will generally be applied to cash collateral.

In case of non-cash collateral, a haircut will be applied. The Investment Manager will only accept non-cash collateral which does not exhibit high price volatility. The non-cash collateral received on behalf of the Company will typically be government debts and supranational debt securities.

For non-cash collateral, a haircut of 1% to 8% will be applied as follows:

	<b>Remaining stated maturity of</b>	<b>Haircut applied</b>
<b>Government debts and supranational debt securities</b>	Not exceeding 1 year	1%
	1 to 5 years	3%
	5 to 10 years	4%
	10 to 20 years	7%
	20 to 30 years	8%

Collateral received by the Company will only consist in cash, government debts and supranational debt securities, In case of any amendment of the Company collateral policy, the prospectus will be amended accordingly.

## Reinvestment of collateral

Non-cash collateral received by the Company may not be sold, re-invested or pledged.

Cash collateral received by the Company can only be:

- (a) placed on deposit with credit institutions which have their registered office in an EU Member State or, if their registered office is located in a third-country, are subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law;
- (b) invested in high-quality government bonds;
- (c) used for the purpose of reverse repo transactions provided the transactions are with credit institutions subject to prudential supervision and the Company is able to recall at any time the full amount of cash on accrued basis; and/or
- (d) invested in short-term money market funds as defined in the Guidelines on a Common Definition of European Money Market Funds.

Re-invested cash collateral should be diversified in accordance with the diversification requirements applicable to non-cash collateral as set out above.

The Sub-Fund may incur a loss in reinvesting the cash collateral it receives. Such a loss may arise due to a decline in the value of the investment made with cash collateral received. A decline in the value of such investment of the cash collateral would reduce the amount of collateral available to be returned by the Sub-Fund to the counterparty at the conclusion of the transaction. The Sub-Fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the Sub-Fund.

## 29. RISK MANAGEMENT PROCESS

The Management Company, on behalf of the Company, will employ a risk-management process which enables it to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of each Sub-Fund, in accordance with CSSF circular 11/512 or any other applicable circular of the Luxembourg supervisory authority. The Management Company, on behalf of the Company will employ, if applicable, a process for accurate and independent assessment of the value of any OTC derivative instruments.

## **30. RISK CONSIDERATIONS**

### **General**

The following statements are intended to inform Investors of the uncertainties and risks associated with investments and transactions in equities, fixed income securities, currency instruments, derivatives and other similar instruments. Investors should remember that the price of Shares and any income from them may fall as well as rise and that Shareholders may not get back the full amount invested. Past performance is not necessarily a guide to future performance and Shares should be regarded as a medium to long-term investment. Where the currency of the relevant Sub-Fund varies from the Investor's home currency, or where the currency of the relevant Sub-Fund varies from the currencies of the markets in which the Sub-Fund invests, there is the prospect of additional loss (or the prospect of additional gain) to the Investor greater than the usual risks of investment.

The Company bears the general risks laid down below. However, each Sub-Fund is subject to specific risks, which the Board of Directors will seek to lower, as listed in the Appendix I.

### **Equity Securities**

Investing in equity securities may offer a higher rate of return than other investments. However, the risks associated with investments in equity securities may also be higher, because the performance of equity securities depends upon factors which are difficult to predict. Such factors include the possibility of sudden or prolonged market declines and risks associated with individual companies. The fundamental risk associated with equity portfolio is the risk that the value of the investments it holds might decrease in value. Equity security value may fluctuate in response to the activities of an individual company or in response to general market and/or economic conditions. Historically, equity securities have provided greater long-term returns and have entailed greater short-term risks than other investment choices.

### **Investment in Collective Investment Schemes**

Investment in collective investment schemes may embed a duplication of the fees and expenses charged to the Company, i.e. setting-up, filing and domiciliation costs, subscription, redemption or conversion fees, management fees, Depositary Bank fees and other service providers' fees. The accumulation of these costs may entail higher costs and expenses than would have been charged to the Company if the latter had invested directly. The Company will however seek to avoid any irrational multiplication of costs and expenses to be borne by investors.

Also, the Company must ensure that its portfolios of targeted collective investment schemes present appropriate liquidity features to enable them to meet their obligation to redeem or repurchase their Shares. However, there is no guarantee that the market liquidity for such investments will always be sufficient to meet redemption requests as and when they are submitted. Any absence of liquidity may impact the liquidity of the Company's Shares and the value of its investments.

### **Investment in Warrants**

Investors should be aware of, and prepared to accept, the greater volatility in the prices of warrants which may result in greater volatility in the price of the Shares. Thus, due to their nature, warrants may involve Shareholders in a greater degree of risk than conventional securities would do.

### **Stock Market Volatility**

The net asset value of the Company will reflect the volatility of the stock market. Stock markets are volatile and can move significantly in response to the issuer, demand and supply, political, regulatory, market and economic developments.

### **Issuer-Specific Risk**

The value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole.

### **Interest Rate Risks**

The net asset value of the Company will change in response to fluctuations in interest rates. Generally, interest rate risk involves the risk that when interest rates decline, the market value of bonds tends to increase, and vice versa. The extent to which the price of a bond changes as the interest rates move may differ by the type of the debt securities.

### **Potential conflicts of interest**

The Investment Managers and other companies each Investment Manager's group can carry out operations in which they directly or indirectly have an interest that could conflict with their obligations towards the Company. The Investment Managers will ensure that these operations are carried out under conditions that are as favourable for the Company as those that would have prevailed in the absence of the potential conflict of interest and that applicable policies and procedures are complied with. Such conflicts of interest or commitments may arise from the fact that the Investment Managers or other members of their group have directly or indirectly invested in the Company. More specifically, the Investment Managers, by virtue of the rules of conduct applicable to them, must endeavour to avoid all conflicts of interest and, if such a conflict cannot be avoided, ensure that its clients (including the Company) are treated equally.

### **Securities Lending, Repurchase or Reverse Repurchase Transactions**

The principal risk when engaging in securities lending, repurchase or reverse repurchase transactions is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations to return securities or cash to the Company as required by the terms of the transaction. Counterparty risk is mitigated by the transfer or pledge of collateral in favour of the Company. However, securities lending, repurchase or reverse repurchase transactions may not be fully collateralised. Fees and returns due to the Company under securities lending, repurchase or reverse repurchase transactions may not be collateralised. In addition, the value of collateral may decline in between collateral rebalancing dates or may be incorrectly determined or monitored. In such a case, if counterparty defaults, the Company may need to sell non-cash collateral received at prevailing market prices, thereby resulting in a loss to the Company.

A Sub-Fund may also incur a loss in reinvesting cash collateral received. Such a loss may arise due to a decline in the value of the investments made. A decline in the value of such investments would reduce the amount of collateral available to be returned by the Sub-Fund to the counterparty as required by the terms of the transaction. The Sub-Fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the Sub-Fund.

Securities lending, repurchase or reverse repurchase transactions also entail operational risks such as the non- settlement or delay in settlement of instructions and legal risks related to the documentation used in respect of such transactions.

A Sub-Fund may enter into securities lending, repurchase or reverse repurchase transactions with other companies in the same group of companies as the Investment Manager, affiliated counterparties, if any, will perform their obligations under any securities lending, repurchase or reverse repurchase transactions concluded with the Sub-Fund in a commercially reasonable manner. In addition, the Investment Manager will select counterparties and enter into transactions in accordance with best execution and at all times in the best interests of the Sub-Fund and its investors. However, investors should be aware that the Investment Manager may face conflicts between its role and its own interests or that of affiliated counterparties.

### **Investment in Derivative Instruments**

Under certain conditions, the Company may use options and futures on securities, indices and interest rates, as described in the Prospectus under "Investment Restrictions", for the purpose of efficient portfolio management. Also, where appropriate, the Company may hedge market and currency risks using futures, options or forward foreign exchange contracts. In order to facilitate efficient portfolio management and to better replicate the performance of the benchmark, the Company may finally, for a purpose other than hedging, invest in derivative instruments. The Company may only invest within the limits set out in the Prospectus under "Investment Restrictions".

Transactions in futures carry a high degree of risk. The amount of the initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact which may work for or against the Investor. The placing of certain orders which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Financial futures prices are highly volatile and influenced by a variety of diverse factors including, i.e., changing supply and demand relationships, government, fiscal, monetary and exchange control programs and policies, national and international political and economic events and government intervention in certain markets, particularly in the currency and interest rate markets. Futures are also subject to illiquid situations when market activity decreases or when a daily price fluctuation limit has been reached.

Transactions in options also carry a high degree of risk. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the seller holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

The attention of the Shareholders is drawn to the fact, that due to the use of derivative instruments to cover the inherent credit risk of some issuers or to achieve its investment objective, combined with the possibility to affect borrowings, there may be circumstances where the Company's exposure may not entirely be covered by the assets of the Company. The risk associated with the use of the said instruments may not exceed 100% of the Net Asset Value of the relevant Sub-Fund. Accordingly, the global risk associated with the investments of the Sub-Fund may amount to 200% of the Net Asset Value of the Sub-Fund. As borrowing is allowed up to a maximum of 10%, the global risk can reach 210% of the Net Asset Value of the relevant Sub-Fund.



## **Dodd-Frank Wall Street Reform and Consumer Protection Act**

With the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") in the United States, there has been extensive rulemaking and regulatory changes that has affected and will continue to affect private fund managers, the funds that they manage and the financial industry as a whole. Under Dodd-Frank, the SEC has mandated new reporting requirements and is expected to mandate new recordkeeping requirements for investment advisers, which are expected to add costs to the legal, operations and compliance obligations of the Investment Manager and the Company and increase the amount of time that the Investment Manager spends on non-investment related activities. Until the SEC implements all of the new requirements of Dodd-Frank, it is unknown how burdensome such requirements will be. Dodd-Frank will affect a broad range of market participants with whom the Company interacts or may interact, including commercial banks, investment banks, other non-bank financial institutions, rating agencies, mortgage brokers, credit unions, insurance companies and broker-dealers. Regulatory changes that will affect other market participants are likely to change the way in which the Investment Manager conducts business with its counterparties. It may take several years to understand the impact of Dodd-Frank on the financial industry as a whole, and therefore, such continued uncertainty may make markets more volatile, and it may be more difficult for the Investment Manager to execute the investment strategy of the Company.

## **Commodity Pool Operator – "De Minimis Exemption"**

While a Sub-Fund may trade commodity interests (commodity futures contracts, commodity options contracts and/or swaps), including security futures products, the Management Company and the Investment Manager are each exempt from registration with the CFTC as a CPO pursuant to CFTC Rule 4.13(a)(3). Therefore, unlike a registered CPO, the Management Company and the Investment Manager are not required to deliver a CFTC disclosure document to prospective investors, nor are they required to provide investors with certified annual reports that satisfy the requirements of CFTC rules applicable to registered CPOs.

The potential consequence of this exemption, the so-called "de minimis exemption", includes a limitation on a Sub-Fund's exposure to the commodity markets. CFTC Rule 4.13(a) (3) requires that a pool for which such exemption is filed must meet one or the other of the following tests with respect to its commodity interest positions, including positions in security futures products, whether entered into for bona fide hedging purposes or otherwise: (a) the aggregate initial margin, premiums, and required minimum security deposit for retail forex transactions, will not exceed 5 per cent. of the liquidation value of the pool's portfolio, after taking into account unrealised profits and unrealised losses on any such positions it has entered into; or (b) the aggregate net notional value of such positions does not exceed 100 percent, of the liquidation value of the pool's portfolio, after taking into account unrealised profits and unrealised losses on any such positions it has entered into.

### **Foreign Account Tax Compliance Act**

The Company will be required to comply (or be deemed compliant) with extensive new reporting and withholding requirements designed to inform the US Department of the Treasury of US-owned foreign investment accounts. Failure to comply with these requirements will subject such entities to US withholding taxes on certain US-sourced income and gains beginning in 2014. Shareholders may be requested to provide additional information to the Company to enable the Company to satisfy these obligations. Failure to provide such information when requested may subject a shareholder to liability for any resulting US withholding taxes or US tax information reporting or compulsory redemption of Shares. Detailed guidance as to the mechanics and scope of this new reporting and withholding regime is continuing to develop. There can be no assurance as to the timing or impact of any final guidance on future operations of the Company.

### **Political and/or Regulatory Risks**

The value of the Company's assets may be affected by uncertainties such as international political developments, changes in government policies, changes in taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investment may be made. Furthermore, the legal infrastructure and accounting, auditing and reporting standards in certain countries in which investment may be made may not provide the same degree of investor protection or information to investors as would generally apply in major securities markets.

The Company is domiciled in Luxembourg and Investors should note that all the regulatory protections provided by their local regulatory authorities may not apply. Investors should consult their financial or other professional adviser for further information in this area.

### **Funds Investing in Lower Rated, Higher Yielding Debt Securities**

The Sub-Funds may invest in lower rated, higher yielding debt securities, which are subject to greater market and credit risks than higher rated securities. Generally, lower rated securities pay higher yields than more highly rated securities to compensate investors for the higher risk. The lower ratings of such securities reflect the greater possibility that adverse changes in the financial condition of the issuer, or rising interest rates, may impair the ability of the issuer to make payments to holders of the securities. Accordingly, an investment in these Sub-Funds is accompanied by a higher degree of credit risk than is present with investments in higher rated, lower yielding securities.

### **Market and Settlement Risks**

- The securities markets in some countries lack the liquidity, efficiency and regulatory and supervisory controls of more developed markets.
- Lack of liquidity may adversely affect the ease of disposal of assets. The absence of reliable pricing information in a particular security held by a Sub-Fund may make it difficult to assess reliably the market value of assets.
- The share register may not be properly maintained and the ownership or interest may not be (or remain) fully protected.
- Registration of securities may be subject to delay and during the period of delay it may be difficult to prove beneficial ownership of the securities.
- The provision for custody of assets may be less developed than in other more mature markets and thus provides an additional level of risk for the Sub-Funds.
- Settlement procedures may be less developed and still be in physical as well as in dematerialised form.

### **Foreign Exchange/Currency Risk**

Although Shares in the Company may be denominated in a particular currency, the Company may invest its assets in securities denominated in a wide range of currencies, some of which may not be freely convertible. The Net Asset Value of the Company as expressed in its base currency will fluctuate in accordance with the changes in the foreign exchange rate between that currency and the currencies in which the Company's investments are denominated. The Company may therefore be exposed to a number of risks as follows:

- Conversion into foreign currency or transfer from some markets of proceeds received from the sale of securities cannot be guaranteed.
- The value of the currency in some markets, in relation to other currencies, may decline such that the value of the investment is adversely affected.
- Exchange rate fluctuations may also occur between the trade date for a transaction and the date on which the currency is acquired to meet settlement obligations.
- It may not be possible or practicable to hedge against the consequent foreign exchange/currency risk exposure.

### **Execution and Counterparty Risk**

The Company may be subject to the risk of the inability of the counterparty, or any other entities, in or with which an investment or transaction is made, to perform in respect of undertaken transactions, whether due to insolvency, bankruptcy or other causes.

In some markets there may be no secure method of delivery against payment which would minimise the exposure to counterparty risk. It may be necessary to make payment on a purchase or delivery on a sale before receipt of the securities or, as the case may be, sale proceeds.

### **Illiquidity/Suspension of Share Dealings**

Some Sub-Funds may face temporary illiquidity situations due to parameters such as market activity, small volumes of investments or difficulties in the pricing of underlying investments.

Under certain exceptional circumstances, such as unusual market conditions, an unusual volume of repurchase requests or other, illiquidity situations may lead the Company to suspend or defer the redemption or conversion of Shares.

### **Specific risks linked to securities lending and repurchase transactions**

In relation to repurchase transactions, investors must notably be aware that (A) in the event of the failure of the counterparty with which cash of a Fund has been placed there is the risk that collateral received may yield less than the cash placed out, whether because of inaccurate pricing of the collateral, adverse market movements, a deterioration in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (B) (i) locking cash in transactions of excessive size or duration, (ii) delays in recovering cash placed out, or (iii) difficulty in realising collateral may restrict the ability of the Company to meet redemption requests, security purchases or, more generally, reinvestment; and that (C) repurchase transactions will, as the case may be, further expose a Fund to risks similar to those associated with optional or forward derivative financial instruments, which risks are further described in other sections of this prospectus.

In relation to securities lending transactions, investors must notably be aware that (A) if the borrower of securities lent by a Fund fail to return these there is a risk that the collateral received may realise less than the value of the securities lent out, whether due to inaccurate pricing, adverse market movements, a deterioration in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (B) in case of reinvestment of cash collateral such reinvestment may (i) create leverage with corresponding risks and risk of losses and volatility, (ii) introduce market exposures inconsistent with the objectives of the Company, or (iii) yield a sum less than the amount of collateral to be returned; and that (C) delays in the return of securities on loans may restrict the ability of a Fund to meet delivery obligations under security sales

As regards securities lending transactions, investors must be aware in particular that (A) if the borrower of the securities lent by a Sub-Fund does not return them, there is a risk that the guarantee received will realise a value that is less than that of the securities lent, due to an inaccurate valuation of the guarantee, unfavourable fluctuations in the market, a deterioration in the credit rating of the issuers of the guarantee or the illiquidity of the market on which the guarantee is traded; and that (B) delays in the return of securities lent can limit the ability of a Sub-Fund to honour delivery obligations by virtue of sales of securities.

### **Custody Risk**

Local custody services in some of the market countries in which the Company may invest may not be the same as those in more developed market countries and there is a transaction and custody risk involved in dealing in such markets.

## **Taxation**

Potential investors' attention is drawn to the taxation risks associated with investing in the Company. Further details relating to the Luxembourg tax legislation are given under the heading "Tax Aspects" in the main part of the prospectus. However, nothing in this Prospectus may be construed any tax advice and investors should consult their own professional advisers regarding any tax issues in the context of any contemplated investment in the Company.

## **31. ADDITIONAL INFORMATION**

### **Dealing Arrangements:**

The Investment Manager has entered into "dealing arrangements" with certain brokers under which a proportion of commissions paid to the executing brokers on transactions may be used to pay for execution and/or research services provided to the Investment Manager by brokers or a third party. This proportion of commissions paid should be in relation with the investment management of the Company and the Board of Directors of the Company should be advised of such commissions.

## 32. APPENDIX I - SUB-FUND IN OPERATION

### 1. ALKEN FUND – European Opportunities

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#### Objectives and investment policy

#### Profile of the typical investor

This Sub-Fund is a medium risk vehicle aiming to provide capital growth. It may be suitable for investors who are more concerned with maximising long term returns than minimising possible short term losses.

#### Investment Objective

To provide capital growth and to enable investors to benefit from growth in the European equity market, primarily through dynamic investment in a growth/value style biased portfolio of equity securities of undervalued European companies with a high growth potential. This Sub-Fund is a relative return fund implying a medium tolerance to risk, with the objective to realise a relative net performance over the STOXX 600 EUR (Return) Index.

#### Investment Policy

The Sub-Fund will invest at least 75% of its net assets in equities and equity related securities issued by companies that are headquartered in Europe, or conduct the preponderant part of their activity in Europe.

The portfolio will contain a limited selection of securities considered as offering the greatest potential. Selection will comprise a mixture of "growth" and "value" stocks believed to have the potential to provide enhanced returns relative to the market. Growth stocks are those whose earnings are expected to grow faster than the average for the market, whereas value stocks, on the other hand, are inexpensive compared with the earnings or assets of the companies that issue them, often because they are in a mature or depressed industry, or because the company has suffered a setback. The Sub-Fund will be managed on a bottom up basis, whereby overweight and underweight positions in securities of a given country, sector and stock will be determined through the application of analytical techniques to such countries, sectors and stocks; furthermore, the Sub-Fund will endeavour to benefit from the regular movements of stock exchanges by investing according to geographical, sectorial and thematic trends.

The Sub-Fund will hold a diversified portfolio composed of securities in listed companies. These securities may consist of ordinary or preferred shares, convertible bonds, and to a lesser extent, structured products and financial derivative instruments (such as options, warrants, contracts for difference) having as underlying or offering an exposure to assets referred above-mentioned in the first paragraph.

The Sub-Fund may also invest up to 10% of its net assets in units/shares of UCITS and/or other UCIs.

For hedging and for efficient management purposes, within the limits set out in the chapter "Investment restrictions" of the prospectus, the Sub-Fund may use all types of financial derivative instruments traded on a regulated market and/or over the counter (OTC) provided they are contracted with leading financial institutions specialized in this type of transactions and subject to regulatory supervision.

The Sub-Fund may ensure that its total commitment arising from financial derivative instruments, for purposes other than hedging, does not exceed 100% of its net assets.

Investments in debt securities will be limited to 15% of the Sub-Fund's net assets; in exceptional circumstances only, when market conditions so command, such limit may be exceeded but, in any event, investments of this kind will then not exceed 25% of the Sub-Fund's net assets. It is therefore presently expected that capital gains realised by Shareholders on the disposal of Shares in the Sub-Fund will not be subject to the reporting or withholding requirements as applicable.

If the Investment Manager considers this to be in the best interest of the shareholders, the Sub-Fund may also, hold, up to 100% of its net assets, liquidities as among others cash deposits, money market funds (within the above-mentioned 10% limit) and money market instruments.

### **Risk Factors**

The Sub-Fund is subject to the specific risks linked to investments in equity securities and collective investment schemes as well as to market volatility linked to the investment in financial derivative instruments

The Sub-Fund's global risk exposure is monitored by using the commitment approach. This approach measures the global exposure related to positions on financial derivative instruments ("FDIs") which may not exceed the Sub-Fund's net asset value.

Furthermore, a risk of illiquidity of the Sub-Fund may not be excluded. For full details of the risks applicable to investing in this Sub-Fund, Shareholders are advised to refer to "Risk Considerations" in the Prospectus.

### **Dividend Policy**

This Sub-Fund pursues a policy of achieving capital growth and reinvests income earned; as a result, it is not the Company's intention to pay out dividends on Class A, Class H, Class R, Class EU1, Class US1, Class US1h, Class US2, Class US2h, Class US3h, Class GB1, Class CH1, Class CH2 and Class Z Shares. Nevertheless, the general meeting of Shareholders may decide each year on proposals made by the Directors on this matter.

It is the Company's intention that Class U Shares and Class EU1d may receive at least one annual distribution, normally payable no later than 6 months after the end of the accounting year to which such dividends relate, comprising the income of the Sub-Fund attributable to these Classes net of revenue expenses or, if greater, such amount as to enable these Classes to attain the HM Revenue & Customs distributing fund certification for the relevant accounting year (which for the avoidance of doubt may mean that part of such distribution is made out of capital profits).

## Shares Classes

**ALKEN FUND – European Opportunities Class H ("Class H"):** Class H Shares are currently closed to any further subscriptions, either from new or existing Shareholders, until further notice;

**ALKEN FUND – European Opportunities Class R ("Class R");**

**ALKEN FUND – European Opportunities Class CH1 ("Class CH1");**

**ALKEN FUND – European Opportunities Class CH2 ("Class CH2");**

**ALKEN FUND – European Opportunities Class EU1 ("Class EU1");**

**ALKEN FUND – European Opportunities Class EU1d ("Class EU1d");**

**ALKEN FUND – European Opportunities Class US1 ("Class US1");**

**ALKEN FUND – European Opportunities Class US1h ("Class US1h");**

**ALKEN FUND – European Opportunities Class US2 ("Class US2");**

**ALKEN FUND – European Opportunities Class US2h ("Class US2h");**

**ALKEN FUND – European Opportunities Class US3h ("Class US3h");**

**ALKEN FUND – European Opportunities Class GB1 ("Class GB1");**

**ALKEN FUND – European Opportunities Class U ("Class U"):** Class U Shares will be offered to investors mainly resident in the United Kingdom, the Channel Islands or the Isle of Man;

**ALKEN FUND – European Opportunities Class Z ("Class Z"):** Class Z Shares will be offered to investors subject to a minimum initial investment per subscriber of at least EUR 10 million. The minimum initial investment in respect of the Class Z Shares may be waived or varied at the discretion of the Directors on a case by case basis provided that such waiver or variation shall be made only on the basis of objective criteria to be determined by the Directors and in an equitable manner to all such investors on the same Applicable NAV;

- **ALKEN FUND – European Opportunities Class A ("Class A").**

## Reference currency

Class R, Class EU1, Class EU1d, Class A, Class H, Class U and Class Z are denominated in EUR.

Class US1 and US2 are denominated in USD.

Class US1h, US2h and US3h are denominated in USD and may be hedged.

Class GB1 is denominated in GBP.



Class CH1 and Class CH2 are denominated in CHF.

**Frequency of calculation of NAV**

Every Business Day.

**Management fees and subscription fees specific to this Sub-Fund**

**Management fees:** Class H: up to 0.90% per annum, applied on the total average net assets of this Class.

Class R, Class U, Class Z, Class US2, Class US2h and Class CH2: up to 1.50% per annum, applied on the total average net assets of the relevant Class.

Class CH1, Class GB1, Class EU1, Class EU1d, Class US1 and Class US1h: up to 1.00% per annum, applied on the total average net assets of this Class.

Class A and Class US3h: up to 2.25% per annum, applied on the total average net assets of this Class.

**Subscription fees:** Class CH1, Class US1, Class EU1 and Class EU1d: up to 2% of the Net Asset Value per share subscribed may be charged at the discretion of the Board of Directors for the benefit of the Management Company.

## Other fees

Performance fee (applicable to Class H, Class R, Class EU1, Class EU1d, Class U, Class Z, Class GB1, Class US1, Class US1h, Class US2, Class US2h, Class US3h, Class CH1, Class CH2 and Class A Shares):

The Management Company is also entitled to receive a performance fee. The performance fee may be levied only in case there is a difference in favour of the Investor between the relative evolution of the Net Asset Value and the Dow Jones STOXX 600 EUR (Return) Index (i.e. an outperformance). The performance fee by Share outstanding will be equivalent to 10 per cent of the positive excess of the net return of the Sub-Fund over the Benchmark Index (i.e. the outperformance) since the last performance fee payment or the end of the preceding calendar year, whichever is most recent.

If the performance of the Net Asset Value per Share is lower than the return of the Benchmark Index no provision for the performance fee shall be made.

The performance fee is calculated and accrued at each Applicable NAV on the basis of Net Asset Value after deducting all expenses, the management fee (but not the performance fee) and adjusting for redemptions during the relevant performance period. Such performance fee will be payable quarterly in arrears. In the event of a downturn in performance of the Sub-Fund during any performance fee payment period, accruals for the performance fee will be reduced accordingly. However, if a performance fee is paid at the end of a quarter, and the NAV per share subsequently underperformed its benchmark, no claw back provision will be made and past payment will therefore remain acquired to the Management Company.

In case of dividend distribution the reference Net Asset Value (as described below) is adjusted. To perform this adjustment, the dividend per Share is deducted from the reference Net Asset Value. The reference Net Asset Value is the Net Asset Value per Share at the end of the preceding performance period.

In the event that a Shareholder redeems Shares prior to the end of the performance period, any accrued but unpaid performance fee in respect of such Shares will be kept and paid to the Management Company at the end of the relevant performance period. The performance fee amount kept into the Sub-Fund is equal to the product of the performance fee accruals at the redemption date by the proportion of the redeemed Shares to the total number of Shares at this date.

The first performance period of any Class shall start on the date of the first subscription and will end at the completion of the relevant quarter. The subsequent performance periods shall start from the beginning of each following calendar quarter until the end thereof.

The formula used to calculate the performance fees is:

$$G = \begin{cases} 0 & \text{if } (B / E - 1) < (C / F - 1) \\ [(B / E - 1) - (C / F - 1)] * E * H * A & \text{if } (B / E - 1) > (C / F - 1) \end{cases}$$

A = Number of Shares outstanding on a valuation day

B = Net Asset Value per Share before performance fee accrual on a valuation day

C = Benchmark Index Value on a valuation day.

E = Reference Net Asset Value, Net Asset Value per Share after deduction of accrued Performance Fee at the last performance fee payment or the end of the preceding calendar year, whichever is most recent

F = Benchmark Index reference value, value of the Benchmark Index at the last performance fee payment or the end of the preceding calendar year, whichever is most recent

G = Performance fee

H = Performance fee rate (10%)

## 2. ALKEN FUND – Small Cap Europe

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### Objectives and investment policy

#### Profile of the typical investor

This Sub-Fund is a medium risk vehicle aiming to provide capital growth. It may be suitable for investors who are more concerned with maximising long term returns than minimising possible short term losses.

#### Investment Objective

To provide capital growth and to enable investors to benefit from growth in the European equity market, primarily through dynamic investment in a growth/value style biased portfolio of equity securities of undervalued European companies with a high growth potential focussing albeit not exclusively on small caps being companies with a capitalisation of less than EUR 3 billion, and mid-caps being companies with a market capitalisation of around more than EUR 3 billion but less than EUR 10 billion. This Sub-Fund is a relative return fund implying a medium tolerance to risk, with the objective to realise a relative net performance over the STOXX TMI Small Cap EUR (Return) Index.

#### Investment Policy

The Sub-Fund will invest at least 75% of its net assets in equities and equity related securities issued by companies that are headquartered in Europe, or conduct the preponderant part of their activity in Europe and which are small and mid-caps as defined above.

The portfolio will contain a limited selection of securities considered as offering the greatest potential. Selection will comprise a mixture of "growth" and "value" stocks believed to have the potential to provide enhanced returns relative to the market. Growth stocks are those whose earnings are expected to grow faster than the average for the market, whereas value stocks, on the other hand, are inexpensive compared with the earnings or assets of the companies that issue them, often because they are in a mature or depressed industry, or because the company has suffered a setback. The Sub-Fund will be managed on a bottom up basis, whereby overweight and underweight positions in securities of a given country, sector and stock will be determined through the application of analytical techniques to such countries, sectors and stocks; furthermore, the Sub-Fund will endeavour to benefit from the regular movements of stock exchanges by investing according to geographical, sectorial and thematic trends.

The Sub-Fund will hold a diversified portfolio composed of securities in listed companies. These securities may consist of ordinary or preferred shares, convertible bonds, and to a lesser extent, structured products and financial derivative instruments (such as options, warrants, contracts for difference) having as underlying or offering an exposure to assets referred above-mentioned in the first paragraph.

The Sub-Fund may also invest up to 10% of its net assets in units/shares of UCITS and/or other UCIs.

For hedging and for efficient management purposes, within the limits set out in the chapter "Investment restrictions" of the prospectus, the Sub-Fund may use all types of financial derivative instruments traded on a regulated market and/or over the counter (OTC) provided they are contracted with leading financial institutions specialised in this type of transactions and subject to regulatory supervision.

The Sub-Fund may ensure that its total commitment arising from financial derivative instruments, for purposes other than hedging, does not exceed 100% of its net assets.

Investments in debt securities will be limited to 15% of the Sub-Fund's net assets; in exceptional circumstances only, when market conditions so command, such limit may be exceeded but, in any event, investments of this kind will then not exceed 25% of the Sub-Fund's net assets. It is therefore presently expected that capital gains realised by Shareholders on the disposal of Shares in the Sub-Fund will not be subject to the reporting or withholding requirements as applicable.

If the Investment Manager considers this to be in the best interest of the shareholders, the Sub-Fund may also, hold, up to 100% of its net assets, liquidities as among others cash deposits, money market funds (within the above-mentioned 10% limit) and money market instruments.

### **Risk Factors**

The Sub-Fund is subject to the specific risks linked to investments in equity securities and collective investment schemes as well as to market volatility linked to the investment in derivative instruments and warrants.

The Sub-Fund's global risk exposure is monitored by using the commitment approach. This approach measures the global exposure related to positions on financial derivative instruments ("FDIs") which may not exceed the Sub-Fund's net asset value.

Furthermore, a risk of illiquidity of the Sub-Fund may not be excluded. For full details of the risks applicable to investing in this Sub-Fund, Shareholders are advised to refer to "Risk Considerations" in the Prospectus.

### **Dividend Policy**

This Sub-Fund pursues a policy of achieving capital growth and reinvests income earned; as a result, it is not the Company's intention to pay out dividends on Class R, Class EU1 and Class A Shares. Nevertheless, the general meeting of Shareholders may decide each year on proposals made by the Directors on this matter.

## Shares Classes

### **ALKEN FUND – Small Cap Europe Class R ("Class R");**

The Company intends to list the Class R Shares of the Sub-Fund on the Luxembourg Stock Exchange.

### **ALKEN FUND – Small Cap Europe Class EU1 ("Class EU1");**

### **ALKEN FUND – Small Cap Europe Class A ("Class A").**

## Reference currency

Class R, Class A and Class EU1 are denominated in EUR.

## Frequency of calculation of NAV

Every Business Day.

## Management fees specific to this Sub-Fund

**Management fee:** Class R: up to 1.75% per annum, applied on the total average net assets of this Class.

Class EU1: up to 1.25% per annum, applied on the total average net assets of this Class.

Class A: up to 2.25% per annum, applied on the total average net assets of this Class.

**Subscription fees:** Class EU1: up to 2% of the Net Asset Value per share subscribed may be charged at the discretion of the Board of Directors for the benefit of the Management Company.

## Other fees

Performance fee (applicable to Class R, Class EU1 and Class A Shares): The Management Company is also entitled to receive a performance fee. The performance fee may be levied only in case there is a difference in favour of the Investor between the relative evolution of the Net Asset Value and the STOXX TMI Small EUR (Return) Index (i.e. an outperformance). The performance fee by Share outstanding will be equivalent to 10 per cent of the positive excess of the net return of the Sub-Fund over the Benchmark Index (i.e. the outperformance) since the last performance fee payment or the end of the preceding calendar year, whichever is most recent.

If the performance of the Net Asset Value per Share is lower than the return of the Benchmark Index no provision for the performance fee shall be made.

The performance fee is calculated and accrued at each Applicable NAV on the basis of Net Asset Value after deducting all expenses, the management fee (but not the performance fee) and adjusting for redemptions during the relevant performance period. Such performance fee will be payable quarterly in arrears. In the event of a downturn in performance of the Sub-Fund during any performance fee payment period, accruals for the performance fee will be reduced accordingly. However, if a performance fee is paid at the end of a quarter, and the NAV per share subsequently underperformed its benchmark, no claw back provision will be made and past payment will therefore remain acquired to the Management Company.

In case of dividend distribution the reference Net Asset Value (as described below) is adjusted. To perform this adjustment, the dividend per Share is deducted from the reference Net Asset Value. The reference Net Asset Value is the Net Asset Value per Share at the end of the preceding performance period.

In the event that a Shareholder redeems Shares prior to the end of the performance period, any accrued but unpaid performance fee in respect of such Shares will be kept and paid to the Management Company at the end of the relevant performance period. The performance fee amount kept into the Sub-Fund is equal to the product of the performance fee accruals at the redemption date by the proportion of the redeemed Shares to the total number of Shares at this date.

The first performance period of any Class shall start on the date of the first subscription and will end at the completion of the relevant quarter

The subsequent performance periods shall start from the beginning of each following calendar quarter until the end thereof.

The formula used to calculate the performance fees is:

$$G = \begin{cases} 0 & \text{if } (B / E - 1) < (C / F - 1) \\ [(B / E - 1) - (C / F - 1)] * E * H * A & \text{if } (B / E - 1) > (C / F - 1) \end{cases}$$

A = Number of Shares outstanding on a valuation day

B = Net Asset Value per Share before performance fee accrual on a valuation day

C = Benchmark Index Value on a valuation day.

E = Reference Net Asset Value, Net Asset Value per Share after deduction of accrued Performance Fee at the last performance fee payment or the end of the preceding calendar year, whichever is most recent

F = Benchmark Index reference value, value of the Benchmark Index at the last performance fee payment or the end of the preceding calendar year, whichever is most recent

G = Performance fee

H = Performance fee rate (10%)



### 3. ALKEN FUND – Absolute Return Europe

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#### Objectives and investment policy

##### Profile of the typical investor

This Sub-Fund is a medium risk vehicle aiming to provide capital growth on the long term. It may be suitable for investors who are more concerned with maximising long term returns than minimising possible short term losses.

##### Investment Objective

Provide capital growth and aim for a positive absolute return over long term period through long and short market exposure in the European markets primarily in equities or related derivative contracts.

The Sub-Fund aims to typically deliver absolute (more than zero) returns in each year, although an absolute return performance is not guaranteed and over the short-term it may experience periods of negative return and consequently the Sub-Fund may not achieve this objective.

##### Investment Policy

The Sub-Fund will have flexible net exposure to equity markets by taking long and short exposures on European equities primarily through the use of transferable securities, linear financial derivatives “delta one” (i.e. non optional, derivative instruments like contracts for difference (CFD) and portfolio swaps) and index futures..

The strategy will seek to gain market exposure primarily on equities and equity related securities of companies that are headquartered, domiciled in Europe or conduct a preponderant part of their activity in Europe.

The portfolio will contain a long exposure to a limited selection of securities considered as offering the greatest potential. Selection will comprise a mixture of "growth" and "value" stocks believed to have the potential to provide enhanced returns relative to the market. Growth stocks are those whose earnings are expected to grow faster than the average for the market, whereas value stocks, on the other hand, are inexpensive compared with the earnings or assets of the companies that issue them, often because they are in a mature – or depressed industry, or because the company has suffered a setback.

Short exposure to single stocks may be gained if and when the manager believes they have a stretched valuation for which an imminent negative news flow is likely (e.g. sales or margins under unexpected pressure, likely to miss market forecasts, EPS revisions turning negative, unforeseen, acute risks on the balance sheet, cash flows disconnecting from P&L).

The Sub-Fund will be managed on a bottom up basis, whereby overweight and underweight positions in securities of a given country, sector and stock will be determined through the application of analytical techniques to such countries, sectors and stocks; furthermore, the Sub-

Fund will endeavour to benefit from the regular movements of stock exchanges by investing according to geographical, sectorial and thematic trends.

The Sub-Fund may also invest up to 10% of its net assets in units or shares of UCITS.

For hedging and for efficient management purposes, within the limits set out in the chapter "Investment restrictions" of the prospectus, the Sub-Fund may use all types of financial derivative instruments traded on a regulated market and/or over the counter (OTC) provided they are contracted with leading financial institutions specialised in this type of transactions.

When using financial derivative instruments, the Sub-Fund will primarily take exposure through CFD, portfolio swaps and listed derivatives.

On an ancillary basis, the Sub-Fund may also:

1. take exposure through any other financial derivative instruments such as but not limited to futures, options, swaps (including but not limited to total return swaps, contracts for difference, credit default swaps) and forwards on any underlying in line with the 2010 Law as well as the investment policy of the Sub-Fund, including but not limited to, currencies (including non delivery forwards), interest rates, transferable securities, basket of transferable securities, indices (including but not limited to commodities, precious metals or volatility indices), undertakings for collective investment;
2. invest in structured products, such as but not limited to notes, certificates or any other transferable securities whose returns are correlated with changes in, among others, an index selected in accordance with the article 9 of the grand-ducal regulation dated 8<sup>th</sup> February 2008 (including indices on volatility, commodities, precious metals, etc.), currencies, exchange rates, transferable securities or a basket of transferable securities or an undertaking for collective investment, at all times in compliance with the grand-ducal regulation.

In compliance with the grand-ducal regulation, the Sub-Fund may also invest in structured products without embedded derivatives, correlated with changes in commodities (including precious metals) with cash settlement. Those investments may not be used to elude the investment policy of the Sub-Fund.

If the Investment Manager considers this to be in the best interest of the shareholders, the Sub-Fund may also, hold, up to 100% of its net assets, liquidities as among others cash deposits, money market funds and money market instruments.

### **Risk Factors**

The Sub-Fund is subject to the specific risks linked to investments in equity securities as well as to market volatility linked to the investment in derivative instruments. Therefore, no assurance can be given that the invested capital will be preserved, or that capital appreciation will occur.

The Sub-Fund's global risk exposure is monitored by using the Value-at-Risk ("VaR") approach which aims to estimate the maximum potential loss that the Sub-Fund could suffer within a certain time horizon (one month) and with a certain confidence level (99% confidence interval), in normal

market conditions. More specifically, the Sub-Fund uses the absolute VaR option, whereby the Sub-Fund's VaR is limited to 17%.

In addition, stress tests will be carried out in order to manage additional risks related to possible abnormal market movements at a specific point of time.

The expected level of leverage of this Sub-Fund is around 50% (gross commitment). This figure is computed as the sum of the absolute notionals of the financial derivative instruments (FDI), whereby large parts of these FDI are used for hedging purposes. Depending on market conditions, higher leverage levels may be used to increase the hedging component of the Sub-Fund and/or generate a higher market exposure.

For full details of the risks applicable to investing in this Sub-Fund, Shareholders are advised to refer to "Risk Considerations" in the Prospectus.

### **Dividend Policy**

This Sub-Fund pursues a policy of achieving capital growth and reinvests income earned; as a result, it is not the Company's intention to pay out dividends on Class A, Class I, Class K, Class US1, Class US2, Class US3, Class CH1, Class CH2, Class CH3, Class EU1, Class GB1 and Class H. Nevertheless, the general meeting of Shareholders may decide each year on proposals made by the Directors on this matter.

### **Shares Classes**

- **ALKEN FUND – Absolute Return Europe Class A** ("Class A");
- **ALKEN FUND – Absolute Return Europe Class CH1** ("Class CH1");
- **ALKEN FUND – Absolute Return Europe Class CH2** ("Class CH2");
- **ALKEN FUND – Absolute Return Europe Class CH3** ("Class CH3");
- **ALKEN FUND – Absolute Return Europe Class I** ("Class I");
- **ALKEN FUND – Absolute Return Europe Class EU1** ("Class EU1");
- **ALKEN FUND – Absolute Return Europe Class US1** ("Class US1");
- **ALKEN FUND – Absolute Return Europe Class US2** ("Class US2");
- **ALKEN FUND – Absolute Return Europe Class US3** ("Class US3");
- **ALKEN FUND – Absolute Return Europe Class GB1** ("Class GB1");
- **ALKEN FUND – Absolute Return Europe Class K** ("Class K"): Class K Shares will be subject to a minimum initial investment per subscriber of at least EUR 10 million. The

minimum initial investment in respect of the Class K Shares may be waived or varied at the discretion of the Directors on a case by case basis;

- **ALKEN FUND – Absolute Return Europe Class H** ("Class H"): Class H Shares shall be reserved for investments made by institutional investor. Shares are currently not offered to investors; exceptionally and with the approval of the Board of Directors the Class-H may be re-opened for limited time periods.

#### **Reference currency**

Class I, Class A, Class K, Class H, and Class EU1 are denominated in EUR.

Class US1, US2 and US3 are denominated in USD and may be hedged.

Class GB1 is denominated in GBP and may be hedged.

Class CH1, CH2 and CH3 are denominated in CHF and may be hedged

#### **Frequency of calculation of NAV**

Every Business Day.

#### **Management fees and subscription fees specific to this Sub-Fund**

**Management fees:** Class A, Class US3 and Class CH3: up to 2.25% per annum, applied on the total average net assets of this Class.

Class I, Class US2, Class CH2 and Class K: up to 1.50% per annum, applied on the total average net assets of this Class.

Class CH1, Class GB1, Class EU1 and Class US1: up to 1.10% per annum, applied on the total average net assets of this Class.

Class H: up to 0.90% per annum, applied on the total average net assets of this Class.

**Subscription fees:** Class CH1, Class US1 and Class EU1: up to 2% of the Net Asset Value per share subscribed may be charged at the discretion of the Board of Directors for the benefit of the Management Company.

### Other fees:

Performance fee (applicable to Class A, EU1, I, K, GB1, US1, US2, US3, CH1, CH2, CH3 and H Shares):

The Management Company is also entitled to receive a Performance Fee. The Performance Fee may be levied only in case there is a difference in favour of the Investor between the relative evolution of the relevant Sub-fund and a Reference NAV which accrues daily the return of the Hurdle Rate of 5 per cent a year and any applicable losses carried forward.

The Performance Fee will be equivalent to 20 per cent of the positive excess of the net return of the Sub-Fund over the Reference NAV adjusted by the hurdle of 5 percent pro rata temporis and any applicable losses carried forward (i.e. the outperformance).

The Reference NAV corresponds to the last NAV for which a performance fee had been paid or the NAV at the end of the preceding calendar year, whichever is most recent. This Reference NAV is adjusted of subscriptions, redemptions and dividends.

The first Reference NAV corresponds to the initial subscription. Any first performance period shall start on the date of the first subscription of a share Class and will end at the completion of the relevant quarter. The subsequent performance periods shall start from the beginning of each following calendar quarter until the end thereof.

Redemptions in the Sub-Fund are taken into account by reducing the Reference NAV proportionally to the number of shares redeemed in the Sub-Fund. Likewise, Subscriptions are added and Dividends are deducted from the Reference NAV.

If the performance of the Sub-Fund is lower than the return of the Hurdle Rate during a performance period, no provision for the Performance Fee shall be made.

The Performance Fee is calculated and accrued at each Applicable NAV after deducting all expenses, the management fee (but not the performance fee). Such Performance Fee will be payable quarterly in arrears.

In the event of a downturn in performance of the Sub-Fund during any Performance Fee payment period, accruals for the Performance Fee will be reduced accordingly. However, if a Performance Fee is paid at the end of a quarter, and the Sub-Fund subsequently underperformed the Reference NAV, no claw back provision will be made and past payment will therefore remain acquired to the Management Company.

In the event that a Shareholder redeems Shares prior to the end of the performance period, any accrued but unpaid Performance Fee in respect of such Shares will be kept and paid to the Management Company at the end of the relevant performance period. The Performance Fee amount kept into the Sub-Fund is equal to the product of the Performance Fee accruals at the redemption date by the proportion of the redeemed Shares to the total number of Shares at this date.

At the end of each calendar year, the positive difference in value between the Reference NAV, and the last NAV of the year, will be amortised into three equal instalments to be carried forward respectively on the next three calendar years.

Any applicable losses carried forward will be reduced proportionally to the number of shares redeemed.

Hence, in subsequent years, the Management Company may start accruing Performance fees when the Performance of the relevant Sub-fund's will outperform the Reference NAV adjusted by the return of the Hurdle Rate, including any applicable losses carried forward.

The formula used to calculate the performance fees is:

$$D = 0$$

$$\text{if } (A - B - E - F) \leq 0$$

$$D = (A - B - E - F) * C$$

$$\text{if } (A - B - E - F) > 0$$

$$A = \text{NAV before performance fee accrual on a valuation day}$$

$$B = \text{Reference NAV (adjusted of subscriptions, redemptions and dividends)}$$

Net Asset Value after deduction of accrued Performance Fee at the last performance fee payment or the end of the preceding calendar year, whichever is most recent

$$C = \text{Performance fee rate (20\%)}$$

$$D = \text{Performance fee}$$

$$E = \text{Sum of the applicable losses carried forward from the 3 previous years: } \\ 1/3 * \text{Losses (y-1)} + 1/3 * \text{Losses (y-2)} + 1/3 * \text{Losses (y-3)}$$

$$F = \text{Yield amount of the Hurdle Rate applied to the Reference NAV}$$

## 4. ALKEN FUND – Continental Europe

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### Objectives and investment policy

#### Profile of the typical investor

This Sub-Fund is a medium risk vehicle aiming to provide capital growth. It may be suitable for investors who are more concerned with maximising long term returns than minimising possible short term losses.

#### Investment Objective

To provide capital growth and to enable investors to benefit from growth in the European equity market, primarily through dynamic investment in a growth/value style biased portfolio of equity securities of undervalued European companies with a high growth potential. This Sub-Fund is a relative return fund implying a medium tolerance to risk, with the objective to realise a relative net performance over the MSCI Europe ex-UK Index.

#### Investment Policy

The Sub-Fund will invest at least 80% of their assets in European equities with a maximum of up to 5% (but no more than 5%) of the total assets of the Sub-Fund can be invested in UK equities.

The portfolio will contain a limited selection of securities considered as offering the greatest potential. Selection will comprise a mixture of "growth" and "value" stocks believed to have the potential to provide enhanced returns relative to the market. Growth stocks are those whose earnings are expected to grow faster than the average for the market, whereas value stocks, on the other hand, are inexpensive compared with the earnings or assets of the companies that issue them, often because they are in a mature or depressed industry, or because the company has suffered a setback. The Sub-Fund will be managed on a bottom up basis, whereby overweight and underweight positions in securities of a given country, sector and stock will be determined through the application of analytical techniques to such countries, sectors and stocks; furthermore, the Sub-Fund will endeavour to benefit from the regular movements of stock exchanges by investing according to geographical, sectorial and thematic trends.

The Sub-Fund will hold a diversified portfolio mainly composed of securities in listed companies. These securities may consist of ordinary or preferred shares, convertible bonds, and to a lesser extent, structured products and financial derivative instruments (such as options, warrants, contracts for difference) having as underlying or offering an exposure to assets referred above-mentioned in the first paragraph.

The Sub-Fund may also invest up to 10% of its net assets in units/shares of UCITS and/or other UCIs.

For hedging and for efficient management purposes, within the limits set out in the chapter "Investment restrictions" of the prospectus, the Sub-Fund may use all types of financial derivative instruments traded on a regulated market and/or over the counter (OTC) provided they are

contracted with leading financial institutions specialized in this type of transactions and subject to regulatory supervision.

The Sub-Fund may ensure that its total commitment arising from financial derivative instruments, for purposes other than hedging, does not exceed 100% of its net assets.

Investments in debt securities will be limited to 15% of the Sub-Fund's net assets; in exceptional circumstances only, when market conditions so command, such limit may be exceeded but, in any event, investments of this kind will then not exceed 25% of the Sub-Fund's net assets. It is therefore presently expected that capital gains realised by Shareholders on the disposal of Shares in the Sub-Fund will not be subject to the reporting or withholding requirements as applicable.

If the Investment Manager considers this to be in the best interest of the shareholders, the Sub-Fund may also, hold, up to 100% of its net assets, liquidities as among others cash deposits, money market funds (within the above-mentioned 10% limit) and money market instruments.

### **Risk Factors**

The Sub-Fund is subject to the specific risks mainly linked to investments in equity securities and collective investment schemes as well as to some extent market volatility linked to the investment in financial derivative instruments

The Sub-Fund's global risk exposure is monitored by using the commitment approach. This approach measures the global exposure related to positions on financial derivative instruments ("FDIs") which may not exceed the Sub-Fund's net asset value.

Furthermore, a risk of illiquidity of the Sub-Fund may not be excluded. For full details of the risks applicable to investing in this Sub-Fund, Shareholders are advised to refer to "Risk Considerations" in the Prospectus.

### **Dividend Policy**

This Sub-Fund pursues a policy of achieving capital growth and reinvests income earned; as a result, it is not the Company's intention to pay out dividends on Class EU1 and Class GB1. Nevertheless, the general meeting of Shareholders may decide each year on proposals made by the Directors on this matter.

### **Shares Classes**

**ALKEN FUND – Continental Europe Class EU1** ("Class EU1");

**ALKEN FUND – Continental Europe Class GB1** ("Class GB1");

**ALKEN FUND – Continental Europe Class SEU1** ("Class SEU1"); Class SEU1 Shares can be closed upon resolution of the Board of Directors to any further subscriptions, either from new or existing Shareholders, at any time and until further notice;

**ALKEN FUND – Continental Europe Class SGB1** ("Class SGB1"); Class SGB1 Shares can be closed upon resolution of the Board of Directors to any further subscriptions, either from new or existing Shareholders, at any time and until further notice.



### Reference currency

Classes EU1 and SEU1 are denominated in EUR.

Classes GB1 and SGB1 are denominated in GBP.

### Frequency of calculation of NAV

Every Business Day.

### Management fees and subscription fees specific to this Sub-Fund

**Management fees:** Class GB1 and Class EU1: up to 1.00% per annum, applied on the total average net assets of this Class.

Class SEU1 and SGB1: up to 0.75% per annum, applied on the total average net assets of this Class.

**Subscription fees:** Class EU1 and Class GB1: up to 2% of the Net Asset Value per share subscribed may be charged at the discretion of the Board of Directors for the benefit of the Management Company.

### Other fees

Performance fee (applicable to Class EU1, Class GB1, Class SEU1 and Class SGB1): The Management Company is also entitled to receive a performance fee. The performance fee may be levied only in case there is a difference in favour of the Investor between the relative evolution of the Net Asset Value and the MSCI Europe ex-UK Index (i.e. an outperformance). The performance fee by Share outstanding will be equivalent to 10 per cent of the positive excess of the net return of the Sub-Fund over the Benchmark Index (i.e. the outperformance) since the last performance fee payment or the end of the preceding calendar year, whichever is most recent.

If the performance of the Net Asset Value per Share is lower than the return of the Benchmark Index no provision for the performance fee shall be made.

The performance fee is calculated and accrued at each Applicable NAV on the basis of Net Asset Value after deducting all expenses, the management fee (but not the performance fee) and adjusting for redemptions during the relevant performance period. Such performance fee will be payable quarterly in arrears. In the event of a downturn in performance of the Sub-Fund during any performance fee payment period, accruals for the performance fee will be reduced accordingly. However, if a performance fee is paid at the end of a quarter, and the NAV per share subsequently underperformed its benchmark, no claw back provision will be made and past payment will therefore remain acquired to the Management Company.

In case of dividend distribution the reference Net Asset Value (as described below) is adjusted. To perform this adjustment, the dividend per Share is deducted from the reference Net Asset Value. The reference Net Asset Value is the Net Asset Value per Share at the end of the preceding performance period.

In the event that a Shareholder redeems Shares prior to the end of the performance period, any accrued but unpaid performance fee in respect of such Shares will be kept and paid to the Management Company at the end of the relevant performance period. The performance fee amount kept into the Sub-Fund is equal to the product of the performance fee accruals at the redemption date by the proportion of the redeemed Shares to the total number of Shares at this date.

The first performance period of any Class shall start on the date of the first subscription and will end at the completion of the relevant quarter. The subsequent performance periods shall start from the beginning of each following calendar quarter until the end thereof.

The formula used to calculate the performance fees is:

$$\begin{aligned} G &= 0 \text{ if } (B / E - 1) < (C / F - 1) \\ &= [(B / E - 1) - (C / F - 1)] * E * H * A \\ &\text{if } (B / E - 1) > (C / F - 1) \end{aligned}$$

A = Number of Shares outstanding on a valuation day

B = Net Asset Value per Share before performance fee accrual on a valuation day

C = Benchmark Index Value on a valuation day.

E = Reference Net Asset Value, Net Asset Value per Share after deduction of accrued Performance Fee at the last performance fee payment or the end of the preceding calendar year, whichever is most recent

F = Benchmark Index reference value, value of the Benchmark Index at the last performance fee payment or the end of the preceding calendar year, whichever is most recent

G = Performance fee

H = Performance fee rate (10%)

### 33. APPENDIX II – UK TAX SUPPLEMENT

*The following sets out the principal tax consequences for shareholders, persons who are beneficial owners of Shares and persons who have an indirect economic interest (including but not limited to settlers of a trust or the beneficiaries of a trust) in the shares listed hereafter (collectively referred under the present Appendix as "Investors"). Investors and potential Investors are advised to consult their professional advisers concerning possible taxation or other consequences of purchasing, holding, selling, converting or otherwise disposing of shares listed hereafter or an interest therein under the laws of their country of incorporation, establishment, citizenship, residence or domicile, and in the light of their particular circumstances.*

*The following statements on taxation are based on advice received by the Company regarding the law and practice in force at the date of this Appendix. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment is made in the Company will endure indefinitely.*

#### **The Company as an offshore fund**

Each share class within the Company is an "offshore fund" for the purposes of s361 of the Taxation of International and Other Profits Act 2010 ("TIOPA") and holdings in them will be an interest in an offshore fund for these purposes.

A class of shares in a part of an umbrella fund (each a "Class") may apply to HM Revenue & Customs as a reporting fund if the Manager undertakes to satisfy certain conditions. Each separate class of shares can be certified as a reporting fund in its own right; the Manager will undertake to meet the relevant conditions in order to obtain reporting fund status for each investor Class.

#### **Income Classes of shares**

Where Sub-Funds offer an Income for the following Class of Shares an application for reporting fund status has been made to and accepted by HM Revenue & Customs.

<b>ISIN</b>	<b>Full Product Name</b>
LU0524465977	ALKEN FUND-European Opportunities - A
LU0235308482	ALKEN FUND-European Opportunities - R
LU0347565383	ALKEN FUND-European Opportunities - U
LU0866838575	ALKEN FUND-European Opportunities - EU1
LU1164024165	ALKEN FUND-European Opportunities – EU1d
LU0832414030	ALKEN FUND-European Opportunities - GB1
LU0832413909	ALKEN FUND-European Opportunities – US1
LU0866838492	ALKEN FUND-European Opportunities – US2
LU1164021575	ALKEN FUND-European Opportunities – US2h
LU0572586591	ALKEN FUND-Absolute Return Europe - A
LU0572586757	ALKEN FUND-Absolute Return Europe - H
LU0572586674	ALKEN FUND-Absolute Return Europe - I
LU0592995731	ALKEN FUND-Absolute Return Europe - K
LU0832412760	ALKEN FUND-Absolute Return Europe - US1
LU1040154095	ALKEN FUND-Absolute Return Europe - US3
LU0832413578	ALKEN FUND-Absolute Return Europe - GB1
LU0866838229	ALKEN FUND-Absolute Return Europe - EU1
LU0300834669	ALKEN FUND-Small Cap Europe - R

LU0953331096	ALKEN FUND-Small Cap Europe - EU1
LU0524465548	ALKEN FUND-Small Cap Europe - A

There can, however, be no guarantee that certification will be obtained for further share classes or that, once obtained; it will continue to be available for future periods of account.

### ***Taxation of gains – individual investors***

Where reporting fund status has been obtained, under current law any gain accruing to the Shareholder upon the sale, redemption or other disposal of their interest in a reporting fund will be taxed at the capital gains tax rate (currently 18% or 28%), with any undistributed income that has been subject to tax being treated as capital expenditure for the purpose of computing the amount of the chargeable gain.

Where reporting fund status is not obtained all gains by an individual Shareholder who is resident or ordinarily resident in the United Kingdom for taxation purposes will be an offshore income gain subject to tax as income at 20%, 40% or 50%, depending on individual Shareholders' total annual income band.

Shareholders who are neither resident nor ordinarily resident in the United Kingdom for taxation purposes should not generally be subject to United Kingdom taxation on any gain realised on any sale, redemption or other disposal of their Shares unless their holding of Shares is connected with a branch or agency through which the relevant Shareholder carries on a trade, profession or vocation in the United Kingdom.

A Shareholder who is an individual who has ceased to be resident or ordinarily resident in the United Kingdom for tax purposes for a period of less than five years of assessment and who disposes of Shares during that period may also be liable, on their return to the United Kingdom to taxation on offshore income gains.

Special rules and different rates apply to United Kingdom resident individual Shareholders who are not domiciled in the United Kingdom or are resident but not ordinarily resident in the United Kingdom. Should an Investor be such an individual, the gain may be taxable under the remittance basis. UK resident non-domiciled investors should seek professional advice on their status following changes implemented since April 2008 as this may not be the case where they have been tax resident in the UK for seven out of the last nine tax years.

### ***Taxation of gain where class becoming a reporting fund was not a distributing fund***

Where an Income Class of Shares, which was previously not certified as a distributing fund in the UK, becomes a reporting fund the UK investors in that Class will have to make an election in their tax return to crystallise any income gains accrued to that point, in order to access capital gains treatments for any further gains accrued up to their ultimate exit. Investors are advised to seek their own professional advice in relation to their specific circumstances.

### ***Taxation of distributions – individual investors***

According to their personal circumstances, individual Shareholders resident or ordinarily resident in the United Kingdom for tax purposes will, in general, be liable to income tax at the relevant dividend income rate on any distributions received from the Company (whether or not such dividends or distributions are reinvested) and reported income attributable to the Shareholder in excess of any amounts actually distributed. Provided the Company is not substantially invested in interest bearing assets (see below), the current rates, depending on individual Shareholders' total annual income band are 10%, 32.5% or 42.% (less a 10% notional tax credit which effectively reduces the dividend income tax rate to 0%/25%/36.11% respectively).

### **Other Classes of shares**

Gains in respect of Classes of shares which have not applied for reporting fund status should be considered to be income taxable under miscellaneous income provisions for both corporate and individual investors. Should a loss be sustained the loss will represent an allowable loss for capital gains purposes and cannot be offset against similar non distributing fund gains. Should an Investor be an individual resident in the UK but not of UK domicile the income gain may be taxable under the remittance basis. UK non-domiciled individual investors should seek professional advice.

### **Other UK tax considerations**

The attention of non-corporate Shareholders ordinarily resident in the United Kingdom is drawn to Chapter 2 of Part 13 of the Income Tax Act 2007. These provisions are aimed at preventing the avoidance of income tax by individuals through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad and may render them liable to taxation in respect of undistributed income and profits of the Company on an annual basis.

The Taxation of Chargeable Gains Act 1992 provides that where individuals and trustees for individuals hold shares in a non-UK company, and that company would if resident in the UK be considered a close company, such shareholders may be taxed a proportion of the company's gains, which otherwise would be chargeable gains if that company were resident in the UK. However, such an attribution will not be made to a shareholder whose interest, together with that of connected persons, does not exceed 10% of the gain. It is likely that the shares of the Company will be widely held, however, the Directors cannot guarantee that this will be (or continue to be) the case.

Although holdings of shares should fall within the scope of inheritance tax for individuals domiciled in the UK shares should represent excluded property for UK inheritance tax purposes when held by investors who are neither domiciled in the UK nor through habitual residence statutorily deemed to be domiciled in the UK. Appropriate professional advice should be sought in relation to this matter.

The attention of Shareholders subject to United Kingdom income tax is drawn to section 378A ITTOIA 2005 which provides that certain distributions from offshore funds that are economically similar to payments of yearly interest will be chargeable to tax as if they were yearly interest. A distribution is treated as interest if the offshore fund, at any time during the "relevant period", holds more than 60% of its assets in the form of qualifying investments. As such, where the offshore fund fails to satisfy this test then any distribution will be treated as interest for income tax purposes and the United Kingdom investors will be subject to income tax on such distributions at their appropriate marginal rate.

Special considerations may apply for UK resident corporate investors.

## **34. APPENDIX III – US TAX SUPPLEMENT**

### **Investors' Reliance on US Federal Tax Advice in this Prospectus**

**The discussion contained in this Prospectus as to US federal tax considerations is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties. Such discussion is written to support the promotion or marketing of the transactions or matters addressed herein. Each taxpayer should seek US federal tax advice based on the taxpayer's particular circumstances from an independent tax advisor.**

The following discussion is a general summary of certain US federal tax consequences that may result to the Company and its Shareholders in connection with their investment in a Sub-Fund. The discussion does not purport to deal with all of the US federal income tax consequences applicable to the Company or to all categories of investors, some of whom may be subject to special rules.

The following discussion is based on laws and regulations currently in effect, which may change retroactively or prospectively. The discussion assumes that the Company (including each Sub-Fund) will not hold any interests (other than as a creditor) in any "United States real property holding corporations" as defined in the US Internal Revenue Code of 1986, as amended (the "Code"). Investors should consult their own tax advisors regarding the tax consequences to them of an investment in a Sub-Fund under applicable US federal, state, local and foreign income tax laws as well as with respect to any specific gift, estate and inheritance tax issues.

### ***Taxation of the Company***

The Company (including each Sub-Fund) generally intends to conduct its affairs so that it will not be deemed to be engaged in trade or business in the United States and, therefore, none of its income will be treated as "effectively connected" with a US trade or business. If not treated as effectively connected with a US trade or business, certain categories of income, including dividends (and certain substitute dividends and other dividend equivalent payments) and certain types of interest income, derived by the Company (or a Sub-Fund) from US sources will be subject to a US tax of 30 per cent., which tax is generally withheld from such income. Certain other categories of income, generally including capital gains (including those derived from the use of derivative instruments) and interest on certain portfolio debt obligations (which may include US Government securities), original issue discount obligations having an original maturity of one hundred and eighty three days or less, and certificates of deposit will not be subject to this 30 percent tax. If, on the other hand, the Company (or a Sub-Fund) derives income which is effectively connected with a US trade or business, such income will be subject to US federal income tax at the graduated rates applicable to US domestic corporations, and the Company (or Sub-Fund) will also be subject to a branch profits tax.

The Company (or each Sub-Fund) will be subject to US federal withholding taxes (at a 30 per cent. rate) on payments of certain amounts made to such entity after 2013 ("withholdable payments"), unless it complies (or is deemed compliant) with extensive reporting and withholding requirements. Withholdable payments generally will include interest (including original issue discount), dividends, rents, annuities, and other fixed or determinable annual or periodical gains, profits or income, if such payments are derived from US sources, as well as gross proceeds from dispositions of securities that could produce US source interest or dividends. Income which is



effectively connected with the conduct of a US trade or business is not, however, included in this definition. To avoid the withholding tax, unless deemed compliant, the Company (or each Sub-Fund) will be required to enter into an agreement with the United States to identify and disclose identifying and financial information about each US Taxpayer (or foreign entity with substantial US ownership) which invests in such entity, and to withhold tax (at a 30 per cent. rate) on withholdable payments and related payments made to any Shareholder which fails to furnish information requested by such entity to satisfy its obligations under the agreement. Alternatively, pursuant to an intergovernmental agreement that may be concluded between the United States and Luxembourg, the Company (or each Sub-Fund) may be deemed compliant, and therefore not subject to the withholding tax, if it identifies and reports US ownership information directly to the government of Luxembourg.

Certain categories of Shareholders, generally including, but not limited to, tax-exempt Shareholders, publicly traded corporations, banks, regulated investment companies, real estate investment trusts, common trust funds, brokers, dealers and middlemen, and state and federal governmental entities, will be exempt from such reporting. Detailed guidance as to the mechanics and scope of this new reporting and withholding regime is continuing to develop. There can be no assurance as to the timing or impact of any such guidance on future Company (or Sub-Fund) operations.

Shareholders will be required to furnish appropriate documentation certifying as to their US or non-US tax status, together with such additional tax information as the Company (or a Sub-Fund) may from time to time request. Failure to provide requested information may subject a Shareholder to liability for any resulting US withholding taxes, US tax information reporting and/or mandatory redemption, transfer or other termination of the Shareholder's interest in Shares.

### ***Taxation of Shareholders***

The US tax consequences to Shareholders of distributions from a Sub-Fund and of dispositions of Shares generally depends on the Shareholder's particular circumstances, including whether the Shareholder conducts a trade or business within the United States or is otherwise taxable as a US Taxpayer.

US Taxpayers seeking to invest in a Sub-Fund should refer to the Supplemental Disclosure Statement for US Persons and US Taxpayers for a discussion of the US federal income tax consequences to such persons of an investment in Shares. All prospective investors should, however, consult, and must depend upon, their own tax advisors with specific reference to their own tax situations and potential changes in applicable law, including the application of state and local, non-US and other tax considerations.