

# Sales Prospectus with Management Regulation. **DekaLux-Europa**

An Investment Fund subject to Part I of the Luxembourg Law of  
17 December 2010 on Undertakings for Collective Investment (UCITS).

**Issue October 2016**

The logo for Deka Investments is displayed on a red background with a subtle, wavy texture. The word "Deka" is in a large, white, sans-serif font, with a small square icon to its left. Below "Deka", the word "Investments" is written in a smaller, white, sans-serif font.

**.Deka**  
Investments

# Selling restrictions

Deka International S.A. and the fund units described in this sales prospectus are not registered in accordance with the United States Investment Company Act of 1940, as amended. Due to restrictions imposed under US supervisory regulations, the units being offered in this Sales Prospectus are not intended for distribution in the United States of America (this term also includes the states, territories and possessions of the United States and the District of Columbia) or for the benefit of US persons as defined in Regulation S of the United States Securities Act of 1933 as amended and are not registered.

US persons are natural persons residing in the United States of America. US persons can also be partnerships or stock corporations (legal entities) if they were established in accordance with the laws of the United States of America, or a US state, territory or possession.

Units are accordingly not being offered or sold in the United States of America or for the accounts of US persons. Subsequent transfers of units to the United States of America or to US persons are not permitted.

This Sales Prospectus may not be disseminated in the United States of America or to US persons. Distribution of this Sales Prospectus and the offer or sale of units may also be subject to restrictions in other legal systems.

# Contents

|                                                     | Page |
|-----------------------------------------------------|------|
| I. Sales Prospectus                                 | 4    |
| 1. The Fund                                         | 4    |
| 2. The Management Company                           | 4    |
| 3. The Custodian                                    | 5    |
| 4. Investment policy                                | 6    |
| 5. Techniques and instruments                       | 7    |
| 6. Notice of risk                                   | 8    |
| 7. Performance                                      | 9    |
| 8. Investor profile                                 | 10   |
| 9. Taxes                                            | 10   |
| 10. Costs                                           | 10   |
| 11. Remuneration policy                             | 12   |
| 12. Unit value calculation                          | 12   |
| 13. Purchase and redemption of units                | 13   |
| 14. Information for unit holders                    | 13   |
| 15. Distribution in the Federal Republic of Germany | 13   |
| 16. Overview of the Fund                            | 15   |
| II. Management Regulation                           | 16   |
| Basic Regulation                                    | 16   |
| Special Regulation                                  | 27   |
| III. Appendix                                       |      |
| Your partners in the Sparkassen-Finanzgruppe        | 29   |
| IV. Synopsis of German tax regulations              | 32   |

# I. Sales Prospectus

**This Sales Prospectus with Management Regulation, which is comprised of the Basic Regulation and Special Regulation of the Fund, has priority over the Key Investor Information in cases of doubt. This Sales Prospectus with Management Regulation is only valid in combination with the latest published Annual Report of the Fund, and no more than 16 months may have passed since the reporting date of the Annual Report. If more than eight months have passed since the reporting date of the Annual Report, the purchaser must also be offered the latest Semi-Annual Report of the Fund. Both reports form part of this Sales Prospectus.**

**No one is authorised to make reference to information not contained in the Sales Prospectus or Key Investor Information, or in publicly available documents to which the Sales Prospectus makes reference.**

Potential investors are advised to read this Sales Prospectus carefully and completely and to consult with their legal, tax or financial advisers concerning the corresponding legal requirements, currency regulations and taxes under the laws of their country of citizenship, normal residence, or registered residence, which could have an effect on the purchase, ownership, sale or other disposal of units, and concerning the tax treatment of income.

The terms defined in Article 1 paragraph 2 of the Basic Regulation are used in the same manner in this Sales Prospectus.

This Sales Prospectus may be translated into other languages. In the event of inconsistencies or ambiguities in a translation, the German version shall have priority.

The issue of this Sales Prospectus and the offer or sale of units of the Fund may be subject to restrictions in some sovereign territories. This Sales Prospectus is not to be considered as an invitation to purchase units.

## 1. The Fund

The investment fund described in this Sales Prospectus

### DekaLux-Europa

(referred to hereafter as the "Fund") is a fund of transferable securities and other assets established under Luxembourg law in the form of a mutual fund ("fonds commun de placement") on the initiative of the DekaBank Deutsche Girozentrale, Frankfurt am Main. The Fund, which was established on 23 October 1995 for an unlimited term, became subject to Part I of the Luxembourg Law of 20 December 2002 on undertakings for collective investment on 1 October 2006, and is now subject to Part I of the Luxembourg Law of 17 December 2010 on undertakings for collective investment. It satisfies the requirements of EU Council Directive 2009/65/EC of 13 July 2009.

Units are available in one unit class, unit class TF (A). Units that were certificated and issued by the Management Company before 29 February 2008 in the form of global certificates with the designation "DekaLux-Europa TF" continue to exist and retain their validity. They are assigned to unit class TF (A) as of 29 February 2008.

The financial year of the Fund ends on 30 September of each year. Provision has been made for an earnings distribution for unit class TF (A), which shall be performed on or around 20 November.

The Annual Report is audited by the auditing firm KPMG Luxembourg Société coopérative.

The Fund is managed by Deka International S.A. (the "Management Company"), Luxembourg. The assets of the Fund are held in custody by DekaBank Deutsche Girozentrale Luxembourg S.A. (the "Custodian"), Luxembourg.

## 2. The Management Company

The Management Company was established on 12 August 1988 for an indeterminate term as a joint stock corporation governed by Luxembourg law. It has its registered office in Luxembourg and is registered in the Luxembourg commercial and company register under number B. 28 599.

The Articles of Association of the Company were published in *Mémorial C, Recueil des Sociétés et Associations* ("Mémorial"), on 26 October 1988, and have been deposited with the Luxembourg commercial and company register. The Articles of Association were last amended by a shareholder resolution of 01 July 2014. A new, harmonised version of the Articles of Association was deposited with the Luxembourg commercial and company register, and the amendment to the Articles of Association published in *Mémorial* on 22 July 2014.

The purpose of the Company is the establishment and/or management of Luxembourg and/or foreign UCITS approved in accordance with Directive 2009/65/EC, as well as the management of other Luxembourg and/or foreign UCIs that do not fall under this Directive.

The management of mutual funds (fonds commun de placement) and investment companies comprises in particular:

- Investment management: In this connection, the Company can issue notifications or instructions for the account of the UCITS and UCIs under its management with regard to investments to be made, and can conclude agreements, purchase, sell, exchange and transfer ownership to all types of transferable securities and other assets, and exercise, for the account of the UCITS and UCIs under its management, all voting rights in connection with transferable securities belonging to the assets of the UCITS and UCIs. This does not represent a complete list.

- Administrative activities related to UCITS and UCIs. These concern all of the activities listed in Appendix II of the Law of 2010, in particular, portfolio valuation, price-setting for the shares and/or units of the UCITS and UCIs, issuing and redeeming shares and/or units of the UCITS and UCIs, maintaining registers for the UCITS and UCIs and maintaining and storing transaction records. This list is not complete.

- Distribution in Luxembourg and/or abroad of shares and/or units of UCITS and UCIs that it or third parties manage.

The organisational structures and internal control mechanisms of the Management Company are sufficient and appropriate based on the Law of 2010 and applicable administrative regulations of the CSSF; in particular, the Management Company acts in the best interests of the funds and subfunds, and ensures that conflicts of interest are avoided, resolutions and procedures are observed, unit holders of managed funds and subfunds are treated fairly, and that specified risk management principles are observed. The Management Company maintains effective, permanent compliance, internal audit and risk management units, each of which acts independently.

The Management Company also has defined decision-making processes, a clear organisational structure, appropriate internal control mechanisms, and internal reporting between all major levels of the Company. It also ensures that appropriate, systematic records of its business activities and internal organisation are maintained. It takes all appropriate measures to achieve the best possible results for the Fund or subfund, taking into account price, costs, the speed and likelihood of execution and settlement, the size and type of order, and all other factors relevant for order execution (best execution). It ensures prompt, honest and speedy execution of portfolio transactions for funds and subfunds based on the trading decisions made for managed funds and subfunds. If responsibilities are outsourced to third parties, it ensures that these third

parties have taken the measures necessary to comply with all of the requirements relating to organisational structure and avoiding conflicts of interest that are stipulated in applicable Luxembourg laws and regulations, and that they monitor compliance with these requirements. It also ensures that excessive costs are never charged to the Fund or subfund and/or unit holders.

The Company can perform its activities in Luxembourg or abroad, establish branch offices, and perform all other business dealings that promote the achievement of its purposes and remain within the bounds permitted under the Law of 10 August 1915 on commercial companies and Chapter 15 of the Law of 2010.

At its own risk and cost, the Management Company has delegated the implementation of the day-to-day investment policy of the Fund, under its supervision, to Deko Investment GmbH, Frankfurt. The Fund Manager is authorised to invest the assets of the Fund and/or liquidate existing investments.

Deko Investment GmbH is a capital investment company (Management Company) governed by German law. It specialises in fund portfolio management for private clients and institutional investors. As at 31 December 2015, it had assets under management of approximately EUR 129.1 billion.

In addition, the Management Company has outsourced the accounting and administration of the Fund to State Street Bank Luxembourg S.C.A., Luxembourg.

The execution of transactions for the account of the Fund shall be primarily delegated to the Management Company's parent company, the Custodian.

Further information on the Management Company is contained in the Appendix "Your partners in the Sparkassen-Finanzgruppe".

### 3. The Custodian

The Law of 2010 and applicable CSSF administrative regulations require a separation between the management and safekeeping of UCITS. In the case of assets held in safekeeping by the Custodian itself, the Custodian opens one or more accounts for the UCITS to record all assets owned by the UCITS whose safekeeping is its responsibility. In the case of assets that cannot be held in safekeeping, the Custodian checks whether the Fund has acquired ownership of the assets. The Custodian must have a complete overview of all of the assets of the UCITS at all times, including those that are not held in safekeeping. It monitors whether the Management Company's disposals of assets satisfy the requirements of the Law of 2010 and Management Regulation.

The Custodian ensures that the cash flows and liquid assets of the UCITS are monitored properly. It ensures that all payments made by unit holders in order to subscribe to units of the UCITS are received and that all liquid assets of the UCITS are entered into cash accounts opened in the name of the UCITS, the Management Company or the Custodian at an institution in accordance with Article 18 para. 1 a), b) and c) of Directive 2006/73 EC or another institution of the same type in the corresponding market in which cash accounts are specified, as long as this institution is subject to effective supervisory regulation and oversight that is equivalent to the legal provisions of the European Union and is effectively enforced.

In addition, the Custodian has the following main responsibilities:

- ensure that the issue and redemption of units and calculation of the value of the units conform to the provisions of the Law of 2010 and the Management Regulation of the Fund,
- ensure that the consideration for transactions that are executed for the joint account of the investors is transferred to the Fund within the usual periods of time,

- ensure that the earnings of the Fund are used in accordance with the provisions of the Law of 2010 and the Management Regulation,

- ensure that unit prices are calculated properly,

- ensure that collateral for security loans is provided with legal effect and is available at all times.

The function of Custodian for the Fund has been assumed by Deka Deutsche Girozentrale Luxembourg S.A. The company has its registered office in Luxembourg and was established on 5 February 1971 as a joint stock corporation governed by Luxembourg law. It is a bank within the meaning of the Luxembourg Law of 5 April 1993 concerning the financial sector, and performs banking transactions of all types.

The rights and obligations of the Custodian are under Luxembourg law, the Management Regulation and the Custodian Agreement.

DekaBank Deutsche Girozentrale Luxembourg S.A. is the parent company and sole shareholder of the Management Company.

The Management Company will primarily engage the Custodian, to whose corporate group it belongs, to handle the processing of transactions for the account of the Fund.

Conflicts of interest can arise from the duties or monitoring functions that the Custodian performs for the Fund, investors or the Management Company.

Conflicts of interest can arise from assumption of the custodian function for the Fund.

Conflicts of interest for the Fund can also arise from the function of subcustodian being assumed within the Deka Group.

Potential case groups have been identified in the Deka Group and appropriate preventive measures have been implemented. This

includes, for example, organisational separation of responsibilities and compliance with best execution standards when assets are bought and sold.

The Custodian can delegate the safekeeping of assets that can be held in safekeeping to other subcustodians. The delegated responsibilities are:

- safekeeping of the securities,

- management of the securities,

- settling securities trades and handling securities deliveries (inflows and outflows).

DekaBank Deutsche Girozentrale, Frankfurt, and Raiffeisenbank International AG, Vienna (RBI AG), operate as subcustodians for the Custodian.

Safekeeping of the assets of the UCITS is largely performed by DekaBank Deutsche Girozentrale, Frankfurt. Units of target funds outside the Group that are held by the UCITS are held in safekeeping by RBI AG.

The Custodian is, as a rule, responsible for all assets that are in its safekeeping or held in safekeeping by one of its subcustodians. The Custodian is liable to the Fund and its investors for the loss of such assets, unless the loss is attributable to events outside of the Custodian's sphere of influence. For losses that do not consist of the loss of an asset, the Custodian is generally only liable in the case of (at least negligent) failure to fulfil its legal and contractual obligations.

The Management Company provides information to investors upon request on the latest status of the Custodian and its obligations, sub-custodians and potential conflicts of interest in connection with the activities of the Custodian or sub-custodians. A summary of the sub-custodians and depositories that have been engaged is available at [www.deka.de](http://www.deka.de).

It also provides investors with information upon request concerning the reasons it

decided to use DekaBank Deutsche Girozentrale Luxembourg S.A. as the Custodian of the Fund.

#### 4. Investment policy

The main objective of the investment policy of DekaLux-Europa is to achieve performance in line with the performance of European equity markets.

To this end, the assets of the Fund will be invested in accordance with the principle of risk diversification and, as stated in the general guidelines governing investment policy in Article 5 of the Basic Regulation, primarily in shares of companies with registered offices in European countries. The total proportion of convertible and warrant-linked bonds may not exceed 10% of the net assets of the Fund. The proportion of securities from European issuers must be greater than two-thirds of the respective security portfolio.

The techniques and instruments relating to transferable securities employed in connection with Article 5 paragraph 1 letter g) of the Basic Regulation are also entered into for purposes other than hedging. The techniques and instruments primarily consist of derivatives, such as options, financial futures contracts, swaps, credit default swaps, foreign exchange futures contracts, and combinations of these.

The Management Company shall only enter into the above transactions with counterparties that are first-class financial institutions which specialise in such transactions and whose creditworthiness is categorised as "investment grade" by a recognised rating agency.

Up to 10% of the net assets of the Fund may be invested in investment units as set out in Article 5 paragraph 1 letter e) of the Basic Regulation.

Bank balances as set out in Article 5 paragraph 1 letter f) of the Basic Regulation and

liquid assets as set out in Article 5 paragraph 3 of the Basic Regulation may also be held.

## 5. Techniques and instruments

The requirements of the Law of 2010 and the Grand-Ducal regulation of 8 February 2008 (implementing Directive 2007/16/EC) are observed when investing the assets of the Fund.

The Fund may use techniques and instruments relating to transferable securities and money market instruments under the conditions and within the limits specified by the Law of 2010 or the Luxembourg financial markets regulator for the purpose of efficient portfolio management. In addition to the securities lending activities set out in Article 9 of the Basic Regulation and securities sale and repurchase agreements set out in Article 10 of the Basic Regulation, these techniques and instruments primarily consist of derivatives, in particular, options, financial futures contracts, swaps, credit default swaps, foreign exchange futures contracts, and combinations of these.

Securities lending can be used to earn additional income for the Fund. Derivatives used for hedging can reduce or prevent losses for the Fund due to negative performance of the hedged assets; at the same time, using derivatives for hedging can also cause positive performance by the hedged assets to have a smaller positive effect on the performance of the Fund. Derivatives can be used for investment purposes in order to achieve targeted participation in the performance of financial instruments or markets, normally with little capital commitment.

The Fund may lend and borrow securities within a standardised system organised by a recognised clearing institution or a first-class financial institution specialising in such transactions, or within the framework of a standard master agreement. The requirements of CSSF Circulars 08/356 and 11/512 are observed for these transactions.

The counterparties to the securities loan must be resident in a Member State of the European Union or in another Contracting State to the Agreement on the European Economic Area, the United States of America, Canada, Hong Kong, Japan, New Zealand or another non-Member State with equivalent banking supervision.

As a rule, income from the use of securities lending transactions and sales and repurchase agreements – less direct and indirect operational expenses – should go to the Fund. The Management Company has the right to charge a fee for the initiation, preparation and performance of such transactions.

The Management Company has engaged DekaBank Deutsche Girozentrale, Frankfurt am Main, for the initiation, preparation and performance of securities lending transactions and securities sale and repurchase agreements. The Management Company will pay any costs out of the fee that it is entitled to for these transactions.

An option is the right to buy ("call" option) or sell ("put" option) a certain asset during a predetermined period ("exercise period") or on a predetermined date ("exercise date") at a predetermined price ("strike price"). The price of a call or put option is the option "premium".

Financial futures contracts are bilateral agreements that entitle or require the contracting parties to deliver or take delivery of a certain asset on a predetermined date and at a predetermined price, where only a fraction of the associated contract size ("margin") needs to be paid immediately.

The buyer of a credit default swap pays a premium, which is expressed as a percentage of the par value of the reference obligation, to the seller of the credit default swap, who is in turn obligated upon occurrence of the agreed event, such as insolvency or default by the reference obligation debtor, to assume the reference obligation in exchange for payment of its par value or to

pay an amount equal to the difference between the par value and market value of the reference obligation. These transactions are only permitted with top-ranked financial institutions that specialise in such transactions. Credit default swaps are valued at regular intervals using transparent and verifiable methods. The Management Company, Supervisory Board and auditor shall monitor the transparency and verifiability of the valuation methods and their application. If discrepancies are discovered as a result of this monitoring, the Management Company shall initiate measures to rectify them.

The techniques and instruments include a collateral management system for managing the collateral provided and received for these transactions. Collateral is recalculated daily and adjusted accordingly.

The collateral for OTC derivatives settled through a central counterparty, exchange-traded derivatives and securities lending transactions concluded using a standardised system shall be governed by the rules of the central counterparty, exchange or system operator.

In the case of OTC derivatives that are not cleared through a central counterparty, and securities lending transactions not concluded using a standardised system, the Management Company shall reach agreement with counterparties on rules for furnishing collateral for the Fund's claims. The Management Company has set down the basic collateral requirements in a Collateral Policy that takes into account statutory and regulatory requirements, including CSSF Regulation 10-4, CSSF Circular 11/512, CSSF Circular 08/356, the CESR Guidelines on Risk Measurement and Calculation of Global Exposure and Counterparty Risk for UCITS (CESR/10-788), and CSSF Circular 14/592 in combination with the ESMA Guidelines on ETFs and other UCITS issues (ES-MA/2014/937).

Collateral that the Fund receives can be provided in the form of liquid assets (e.g. cash and bank balances) or by transfer or



pledging of bonds, in particular government bonds, or investment units. Collateral can also be furnished in the form of shares.

Shares provided as collateral must be listed or traded on a regulated market in a Member State of the European Union or on a stock exchange in an OECD Member Country and must be included in a major index.

The collateral provided can also be fully in the form of securities or money market instruments from a single issuer in accordance with Article 6 paragraph 3 of the Basic Regulation, in which case the collateral must include at least 6 different issues and no issue may exceed 30% of the net assets of the Fund.

The value of collateral is reduced (haircut) depending on the type of security, issuer creditworthiness and, if applicable, remaining time to maturity. The haircuts are as follows for the categories of securities indicated:

- Bank deposits 0%
- Shares 5% - 40%
- Bonds 0.5% - 30%
- Shares or units of UCITS 10% – 50%

An additional haircut of up to 10 percentage points can also be applied for collateral that is in a different currency than the fund currency. The Management Company can deviate from the values indicated in exceptional market situations (e.g. market turbulence).

Cash funds that the Fund receives as collateral may be reinvested in accordance with the requirements of CSSF Circular 08/356 and CSSF Circular 11/512.

Derivatives and other techniques and instruments should be used primarily to increase performance without deviating from the investment objectives of the Fund in the Basic or Special Regulations or in the Sales Prospectus, and without changing the fun-

damental character of the investment policy of the Fund.

As part of its investment strategy and within the limits laid down in Article 6 paragraphs 5 and 6 of the Basic Regulation, the Fund may invest in derivatives provided that the aggregate risk exposure of the underlying assets does not exceed the investment limits specified in Article 6. Fund investments in index-based derivatives do not need to be counted towards the limits laid down in Article 6 paragraphs 1 to 6. If a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the provisions of this Article.

The Management Company uses a risk management process for the Fund that is in accordance with the Law of 2010 and applicable administrative regulations of the CSSF, in particular, CSSF Circular 11/512 of 30 May 2011.

The total risk of the Fund is measured and controlled using relative Value-at-Risk (VaR) limits as part of the risk management process.

VaR is a standard risk measure used in the financial sector. The VaR of a financial position is based on a fixed time interval and a specified probability (confidence level) and is equal to the loss threshold whose probability of not being exceeded equals the specified probability. The VaR is calculated using a 99% one-sided confidence interval and a holding period of 20 days.

To limit risk, the total risk of all Fund positions calculated using VaR may not exceed two times the VaR of a reference portfolio with the same market value as the Fund. A European equity index of listed companies with high stock market capitalisations is used as a reference portfolio.

The Management Company calculates the leverage of the Fund in accordance with the administrative regulations of the competent supervisory authorities, using the sum of

nominal amounts ("gross method") and the commitment approach ("net method").<sup>1</sup>

Unit holders should note that derivatives can be used for various purposes, in particular for hedging and investment purposes. If expected leverage is calculated using the gross method, no distinction is made between the various objectives for derivative use and the method consequently provides no indication of the risk level of the Fund. The Management Company expects that the leverage of the Fund based on the gross method due to the use of derivatives will, as a rule, not exceed 5.0. Using the net method, on the other hand, does provide an indication of the risk level of the Fund, since the use of derivatives for hedging purposes is also taken into account appropriately. The Management Company expects that the leverage of the Fund based on the net method will, as a rule, not exceed 2.0. The leverage may also be higher in special exceptional cases.

Information on the risk profile of the Fund, which is consistent with the techniques and instruments mentioned above, is also available in the Key Investor Information document.

Information on the techniques and instruments currently used is available from the Management Company by calling (+3 52) 34 09-39 and from DekaBank Deutsche Girozentrale by calling +49 (0) 69 / 7147-652 from Monday to Friday between 8:00 a.m. and 6:00 p.m.

## 6. Notice of risk

Units of the Fund are transferable securities whose price is determined by daily stock exchange price changes of the assets contained in the Fund and may, therefore, rise or fall.

<sup>1</sup> Calculation using the commitment approach is performed according to the Guidelines of 28 July 2010 (CESR 10-788) published by the European Securities and Markets Authority (ESMA), formerly the Committee of European Securities Regulators (CESR).



The options and futures transactions described in section 5 also entail certain risks.

The purchase and sale of options/ warrants ("options") is associated with particular risks:

- The premium paid to purchase a call or put option can be lost if the price of the security underlying the option does not change as expected and it is therefore not in the interest of the Fund to exercise the option.
- If a call option is sold, there is a risk that the Fund will no longer participate in a potentially significant increase in value of the security or must make a covering purchase at unfavourable market prices if the option is exercised by the counterparty.
- If a put option is sold, there is a risk that the Fund will be required to take delivery of securities at the strike price, even though the market price of these securities is considerably lower than the exercise price at the time that the option is exercised.
- The leverage effect of options can result in a greater effect on the asset value of the Fund than would be the case if the underlying securities were purchased directly.
- Derivatives can be used at times to hedge risks to which the Fund would otherwise be exposed. In many cases, therefore, rising nominal values during the term of the Fund can be the result of a greater degree of hedging. This figure therefore provides no information on the level of risk of the Fund.

The Fund can suffer losses from the default of an issuer or counterparty. Issuer risk is the effect of particular developments at the issuer, which affect the price of a security separately from the general tendencies in the capital markets. Even when the utmost care is exercised in selecting the securities, it cannot be ruled out that there may be losses due to the financial collapse of issuers. Counterparty risk includes the risk that a party to a mutual agreement will default on

the claim, in whole or in part. This applies to all contracts entered into for the account of the Fund.

The value of the Fund assets can also be adversely affected by unforeseeable events, such as international political developments, changes in the politics of states, restrictions on foreign investment and currency repatriation and other developments and applicable laws and regulations.

Financial and foreign exchange futures contracts are associated with considerable opportunities, but also risks, because only a fraction of the contract size ("margin") must be paid immediately. A price swing in either direction for the instrument underlying the financial futures contract can lead to substantial gains or losses relative to the margin paid. In this regard, financial futures contracts exhibit high volatility.

When financial and foreign exchange futures contracts are used for hedging purposes, they serve to reduce price risks. However, they cannot eliminate the possibility that price changes might negatively affect the performance of the Fund in spite of trading intended to hedge price risk. The costs of hedge trading and the potential losses that accompany it reduce the results of the Fund.

If the assets of the Fund are invested in currencies other than the Fund currency, the Fund receives income, repayments and proceeds from such investments in that currency. If the value of this currency falls relative to the Fund currency, the asset value of the Fund decreases. The Management Company can perform trades to hedge exchange rate risk.

However, this exchange rate hedge trading cannot eliminate the possibility that changes in exchange rates might have a negative effect on the performance of the Fund. The costs of exchange rate hedge trading and the potential losses that accompany it reduce the results of the Fund.

The Fund is also affected by country and transfer risks. Country risk refers to the situation where a foreign debtor cannot make payments on time or at all, despite being solvent, because his country of residence is unable or not prepared to transfer the funds. As a result, payments to which the Fund is entitled might, for example, not be received or might be received in a currency that is no longer convertible due to currency exchange restrictions.

Assets that are not admitted to the official market on a stock exchange or included in an organised market may also be acquired for the Fund. The acquisition of such assets is associated, in particular, with the risk that difficulties might be encountered when reselling them to third parties.

In addition, an unforeseeable change beyond the Fund's control could occur in the legal and tax treatment of the Fund. In particular, there is a risk that publicly disclosed tax bases could change for investors who are taxable in the Federal Republic of Germany or that general conditions could change in a way that is significant from a tax point of view.

The performance fee could induce the Management Company to select more speculative investments for the assets of the Fund than would be the case if a performance fee were not paid.

**There is therefore no guarantee that the investment policy objectives can be achieved.**

## 7. Performance

The performance of the units in the unit class is calculated using what is referred to as the "BVI method". The calculation is based on the redemption prices on the start and end dates. Interim distributions are reinvested at the redemption price on the distribution date.

Performance information is available in the Key Investor Information and Annual and

Semi-Annual Reports. In addition, current performance is published on the Internet at [www.deka.de](http://www.deka.de) as part of the product information for the Fund.

## 8. Investor profile

The units of the Fund are primarily intended for capital accumulation and capital optimisation. They are particularly appropriate for investors with a high risk-tolerance, extensive securities experience with respect to the price risks discussed in section 6, and a medium- to long-term investment horizon.

## 9. Taxes

The assets of the Fund are subject to a current annual tax d'abonnement of 0.05% in the Grand Duchy of Luxembourg which is payable quarterly based on the net value of the Fund assets at the end of the quarter that are not invested in Luxembourg investment funds subject to the tax d'abonnement.

The income of the Fund is not taxed in the Grand Duchy of Luxembourg. It may, however, be subject to withholding tax or other taxes in countries where Fund assets are invested.

The German Interest Information Regulation (Zinsinformationsverordnung) transposes the directive on taxation of savings income (Directive 2003/48/EC) into national law and is intended to ensure effective taxation of interest income received by natural persons throughout the territory of the European Union. For this purpose, interest income received by a natural person in Germany from a foreign financial institution in a European country other than Germany, such as Luxembourg, is, as a rule, reported by the foreign bank to the German revenue authorities for the place of residence. Alternatively, some foreign states deduct withholding tax at source which can be credited in Germany.

Private investors who are resident in the EU or in the acceding non-Member States and who manage their account or safekeeping account in another EU country and receive interest income are therefore specifically affected. Luxembourg and Switzerland are two of the countries that have undertaken to deduct withholding tax of 35% from interest income. The tax documentation received by the investor includes a certificate that he can use to have the withholding tax credited in his income tax return.

Alternatively, the private investor has the option of avoiding tax withholding in foreign countries by authorising the foreign bank (e.g. DekaBank Luxembourg) to make a voluntary disclosure of his interest income, thereby allowing the financial institution to report the income to the legally specified revenue authorities instead of withholding taxes.

## 10. Costs

The Management Company receives an annual fee from the Fund of up to 2.00% (currently 1.25% for unit class TF (A)) for central administration and investment management, calculated based on the average net assets of the Fund during the month in question and payable monthly in arrears.

The Management Company can charge the Fund up to 0.10% of the average net assets of the Fund each year for fees and charges paid to third parties for

- managing collateral for derivative transactions (collateral management), and
- services related to compliance with Regulation (EU) No. 648/2012 (European Market Infrastructure Regulation – EMIR), including, among other things, central clearing of OTC derivatives and reports to transaction registers, including costs for legal entity identifiers.

The units of unit class TF (A) are issued at the unit value with no sales commission, although a running fee of up to 1.50% p.a. (currently 0.72% p.a.) is charged for the benefit of the sales offices.

The issue price may be increased by fees or other charges incurred in the country of distribution.

The Management Company can receive a performance fee for managing the assets of the Fund attributable to units in unit class TF (A) of up to 25.00% (maximum amount) of the amount by which unit value performance exceeds the performance of the benchmark index at the end of an accounting period (outperformance of the benchmark), but no more than 2.00% of the average value of the Fund assets during the accounting period.

If unit value performance is below the performance of the benchmark index at the end of an accounting period (negative performance relative to the benchmark), the Management Company receives no performance fee. The negative amount per unit is calculated as in the calculation of positive performance relative to the benchmark using the agreed maximum amount and carried forward to the next accounting period. The Management Company only receives a performance fee for the next accounting period if the amount calculated from the positive performance relative to the benchmark at the end of the accounting period exceeds the negative amount carried forward from the previous accounting period. In this case, the fee to which the Company is entitled is equal to the difference between the two amounts. Any remaining negative amount per unit is once again carried forward to the new accounting period. If performance is once again negative relative to the benchmark at the end of the next accounting period, the existing negative amount carried forward is increased by the amount calculated from this negative performance relative to the benchmark. Negative carryforwards for the previous five accounting periods are taken

into account when calculating the fee entitlement.

A positive amount per unit that cannot be withdrawn is also carried forward into the new accounting period.

The accounting period begins on 1 October and ends on 30 September of each calendar year.

The MSCI Europe Large Cap Net Index in EUR<sup>2</sup> is used as the benchmark index.

The performance fee is calculated by comparing the performance of the benchmark index during the accounting period with unit value performance calculated using the BVI method.<sup>3</sup>

The expenses charged to the Fund may not be deducted from the performance of the benchmark index before the comparison.

Any performance fee accrued as a result of a daily comparison is set aside in the Investment Fund. If unit value performance falls below the performance of the benchmark index during the accounting period, any performance fee previously set aside during the respective accounting period is released again based on the daily comparison. The performance fee set aside at the end of the accounting period can be withdrawn.

If the benchmark index is cancelled, the Management Company will specify another suitable index to take the place of the index that was cancelled.

The performance fee can also be withdrawn if the unit value at the end of the accounting period is below the unit value at the

beginning of the accounting period (negative absolute unit value performance).

The Management Company receives up to 49% of the income from securities loan transactions and securities sales and repurchase agreements executed for the account of the Fund as a lump-sum fee for the initiation, preparation and performance of these transactions (including synthetic securities lending transactions). The Company pays any expenses incurred for the preparation and performance of such transactions, including fees payable to third parties (e.g. transaction costs payable to the Custodian).

The Management Company receives an annual lump-sum fee from the Fund of up to 0.28% (currently 0.18%), calculated based on the average net assets of the Fund during the month in question and payable monthly in arrears. Daily values are used for the calculation.

The following fees and expenses are included in the lump-sum fee, and are not charged separately against the Fund:

- Custodian fee;
- the expenses indicated in Article 17 paragraph 1 letters b) to i) of the Basic Regulation;
- expenses that may arise in connection with the use of a benchmark index;
- costs and expenses that the Custodian incurs as a result of permissible and normal market delegation of the safekeeping of assets of the Fund to third parties under Article 4 paragraph 3 of the Basic Regulation.

The Fund pays the Custodian a normal bank processing fee for transactions performed for the account of the Fund.

The Fund also pays the expenses specified in Article 17 paragraph 1 letters a) and j) of the Basic Regulation.

The Management Company will add commissions that it receives for investment units held in the Investment Fund, and other fees collected in permissible ways according to international standards, to the assets of the Fund and disclose them in the Annual Report. Other non-cash benefits (broker research, financial analyses, market and price information systems) that are made available to the Management Company or the Fund Manager without special compensation in connection with trading activities shall be used in the interest of the investors to make investment decisions.

The Management Company receives no monies back out of the fees and expense reimbursements provided to the Custodian and third parties from the Fund.

If an issuing surcharge is paid when fund units are purchased, up to the full amount of the issuing surcharge is generally paid out as a fee to distribution partners. Some funds do not charge an issuing surcharge, and instead withdraw a separate distribution commission from the assets of the fund concerned to cover distribution expenses. Any distribution fee charged to a fund is shown separately in the Sales Prospectus and may be paid out in full or in part to distribution partners.

The Management Company may also pay up to the full amount of the management fee to distribution partners. Distribution partners may receive a portion of the annual management fee of any investment funds held in the assets of a fund ("target funds").

The Management Company may also provide other inducements to the distribution partners in the form of in-kind benefits that assist distribution (e.g. employee training courses) or performance bonuses that are also related to the distribution services provided by the distribution partners, but are not separately charged to the fund assets. These benefits are not in conflict with the interests of investors, but are instead designed to maintain and further improve the quality of services provided by distribution

<sup>2</sup> MSCI assumes absolutely no liability for the MSCI data indicated. The MSCI data may not be passed on to third parties or used as a basis for other indices, securities or financial products. MSCI has not prepared, checked or verified this information/document.

<sup>3</sup> Information on the BVI method:  
<http://www.bvi.de/statistik/wertentwicklung/>

partners. Investors can obtain more detailed information on these inducements from the distribution partners.

The Total Expense Ratio (TER), that is, the total costs (not including transaction costs) incurred during the reporting period in the unit class concerned divided by the average net asset value of the unit class, is reported as “current costs” in the Annual Report profit and loss account and Key Investor Information. The total costs include, in particular, the management fee, distribution commission (if charged), lump-sum fee, *taxe d’abonnement* and all other costs specified in Article 17 paragraph 1 letters a) and j) of the Basic Regulation, except for transaction costs.

The calculation of the total expense ratio is performed as follows:

**Calculation:**

$$TER = TE / A \times 100$$

**Explanation:**

TER: Total Expense Ratio as a percentage

TE: Total expenses (nominal, all expenses except for transaction costs), in the Fund currency, that were actually charged to the unit class of the Fund during the reference period

A: Average daily value of the net assets of the unit class during the reference period

## 11. Remuneration policy

The Management Company is subject to regulatory requirements that are applicable to its remuneration systems, in particular the principles indicated in the Law of 17 December 2010. The Deka Group Remuneration Directive, which defines uniform Group-wide standards for the design of remuneration systems, also applies. It includes, among other things, remuneration principles, e.g.

for the design of variable remuneration and applicable remuneration parameters. Implementation of the Remuneration Directive is aimed at creating remuneration systems with a long-term orientation, while preventing improper incentives to assume excessive risk.

The remuneration policy is compatible with the Management Company's risk management procedure, and does not encourage the assumption of risks that would be incompatible with the risk profiles, management regulations or articles of association of the funds managed by the Management Company.

The Management Company's remuneration system is reviewed at least once a year for appropriateness and compliance with all regulatory remuneration requirements by an independent remuneration committee, the “Management Committee for Remuneration (MCR)”.

The remuneration policy includes fixed and variable salary components in an appropriate relationship to each other, and voluntary company pension payments. These are structured differently for different categories of employees (e.g. management, risk takers, etc.). The remuneration rules are in accordance with the business strategy, goals, values and interests of the Management Company, the funds it manages and their investors.

Special remuneration rules apply to employees whose activities have, among other things, a material influence on the overall risk profile of the Management Company and the funds it manages (“risk-relevant employees”). Risk-relevant employees are identified each year using a qualitative and quantitative analysis procedure. Employees are identified as risk-relevant if they are able to establish risk positions for the Company. The variable remuneration for these risk-relevant employees is paid out over a number of years. At least 40% of the variable remuneration (if greater than or equal to EUR 100,000) is deferred over a period of at

least three years. The deferred share of the remuneration is risk-dependent during this period, i.e. in the event of negative performance by the employee it may be reduced or eliminated entirely. At the end of each year of the deferral period, a prorated share of the deferral bonus becomes vested and is paid out on the relevant payment date.

Detailed information on the current remuneration policy is available in the annual reports of the Fund and the Deka Group remuneration report at <https://www.deka.de/deka-gruppe/investor-relations/publikationen/verguetungsbericht>. The Management Company will provide the reports in paper form free of charge upon request.

## 12. Unit value calculation

To calculate the unit value for the units in the unit class, the Management Company shall calculate the value of the Fund assets less its liabilities on each valuation date under the supervision of the Custodian, allocate this value to the unit class and divide the value by the number of units in circulation.

The principles governing the valuation of assets of the Fund are specified in Article 12 paragraph 2 of the Basic Regulation.

A valuation date is any day that is a business day on the exchanges in both Luxembourg and Frankfurt am Main. As a rule, no valuation is performed on dealing days that are statutory holidays at one of the above locations, or on 24 and 31 December. The Management Company can decide to perform a valuation on these dates. In this case, the information will be announced in at least two daily newspapers with adequate circulation, including at least one Luxembourg daily newspaper.

### 13. Purchase and redemption of units

Units of the unit class of the Fund are certificated by global bearer certificates. Unit holders are not entitled to receive delivery of physical securities. Units may only be purchased if they are held in a securities account. Both the Custodian and DekaBank Deutsche Girozentrale, Frankfurt am Main, offer securities accounts for unit safekeeping.

Units of the unit class of the Fund may be purchased and redeemed at the Management Company, the Custodian and the Payment Agents listed in this Sales Prospectus. When units are purchased or redeemed through a third party, the usual brokerage fee may be incurred.

Units of the unit class are issued and redeemed on every valuation date.

The net asset value of the Fund is not known to the investor at the time that a request for subscription and/or redemption is submitted.

There is no time limit on the issue of units. At its sole discretion, the Management Company may reject a request for subscription (e.g. if there is suspicion of market timing by the investor) or temporarily restrict, suspend or permanently discontinue the issue of units, provided this is considered necessary in the interest of the unit holders as a whole, for the protection of the Management Company, for the protection of the Fund, in the interest of the investment policy, or if the specific investment objectives of the Fund are endangered.

Requests for subscription or redemption received by the Management Company by 12:00 p.m. (midday) (Luxembourg time) on a valuation date will be settled based on the unit value on that valuation date. Requests received after 12:00 p.m. (midday) (Luxembourg time) will be settled based on the unit value on the following valuation date.

Redemption of units is deferred if unit value calculation has been temporarily suspended in accordance with Article 12 paragraph 5 of the Basic Regulation and can be temporarily suspended in accordance with Article 14 paragraph 3 of the Basic Regulation in the case of large requests for redemptions that cannot be satisfied using the Fund's demand deposits, quickly liquidated assets and permissible borrowing, and for other reasons that make this appear justified and/or necessary in the interests of the investors of the Fund as a whole.

The units of the Fund are eligible for stock market listing. However, stock exchange listing of the Fund units is not planned.

Redemption shall be performed at the unit value. The redemption price may be decreased by fees or other charges incurred in the respective country of distribution.

### 14. Information for unit holders

Information on issue and redemption prices is available each valuation day from the registered office of the Management Company and the Information Agents.

Audited Annual Reports shall be made available free of charge to unit holders at the registered office of the Management Company and at the Information Agents at the latest four months after the end of the financial year.

Semi-Annual Reports shall be provided in the same format as Annual Reports at the latest two months after the end of the period covered by the report.

Payments, for example, distributions and redemption proceeds, are made by the Management Company, Custodian or the Payment Agents listed in this Sales Prospectus.

This Sales Prospectus with Management Regulation, the Key Investor Information, and other information on the Fund or the

Management Company shall be made available free of charge at the registered office of the Management Company and the Information Agents.

All amendments to the Basic Regulation and Special Regulation shall be deposited with the Luxembourg commercial and company register. A notice of this deposit shall be published in *Recueil Electronique des Sociétés et Associations* ("RESA").

Important information for unit holders shall be published in at least two daily newspapers with adequate circulation, including at least one Luxembourg daily newspaper in accordance with the respective publication requirements of the countries in which the units are publicly distributed.

Investors can fully assert their claims in connection with investments in the Fund against the Management Company directly. The Management Company informs investors that units of the Fund are bearer securities that are certificated in global certificates and the Management Company does not maintain an investor register in which investors are entered. In order to assert their claims, investors may therefore need the assistance of third parties (e.g. custodian institutions) to provide proof of their rights as investors. It is recommended that investors inform themselves of their rights.

Investor complaints can be directed to the Management Company, the Custodian and the Payment and Information Agents, where they will be duly processed within 14 days.

### 15. Distribution in the Federal Republic of Germany

The German Federal Financial Supervisory Authority (BaFin) has been notified of distribution of the units in Germany.

## **Payment and Information Agent in Germany**

DekaBank Deutsche Girozentrale,  
Mainzer Landstraße 16  
60325 Frankfurt  
Tel. +49 (0) 69 71 47 - 0

The current valid Sales Prospectus with Management Regulation, Key Investor Information document, Annual Report and, if applicable, Semi-Annual Report are available free of charge from the Information Agent. The Information Agent can also provide information on the issue and redemption prices of Fund units.

Units of the Fund may be purchased and redeemed from the Payment Agent.

The issue and redemption prices of fund units are published at [www.deka.de](http://www.deka.de). Information intended for investors is published in the Börsen-Zeitung newspaper, which is published in Frankfurt am Main.

## 16. Overview of the Fund

| DekaLux-Europa                                                                                        |                                                                                                                                 |
|-------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| <b>Fund established on:</b>                                                                           | 23 October 1995                                                                                                                 |
| <b>Term of the Fund:</b>                                                                              | unlimited                                                                                                                       |
| <b>Fund currency:</b>                                                                                 | euro                                                                                                                            |
| <b>Unit class TF (A)</b>                                                                              |                                                                                                                                 |
| <b>ISIN/WKN:</b>                                                                                      | LU0062625115/974588                                                                                                             |
| <b>Distribution commission:</b>                                                                       | up to 1.50% (currently 0.72%) of the unit value                                                                                 |
| <b>Initial issuing price:</b>                                                                         | EUR 33.23                                                                                                                       |
| <b>Date of first issue:</b>                                                                           | 01 December 1995                                                                                                                |
| <b>Performance fee:</b>                                                                               | up to 25.00% p.a. of the amount by which the Fund outperforms the MSCI EMU Large Cap Net Index in EUR used as a benchmark index |
| <b>Management fee for central administration and investment management:</b>                           | up to 2.00% p.a. (currently 1.25% p.a.) of the average daily value of the net assets of the Fund                                |
| <b>Utilisation of earnings:</b>                                                                       | distribution around 20 November                                                                                                 |
| <b>Unit certification:</b>                                                                            | global certificates, no physical certificates                                                                                   |
| <b>Order submission deadline:</b>                                                                     | 12:00 p.m. (midday) Luxembourg time for settlement at the issue or redemption price on that valuation date                      |
| <b>Value date:</b>                                                                                    | valuation date plus two bank working days                                                                                       |
| <b>Fee for securities loan transactions, securities sale and repurchase agreements, and the like:</b> | up to 49% of the income from these transactions                                                                                 |
| <b>Lump-sum fee:</b>                                                                                  | up to 0.28% p.a. (currently 0.18% p.a.) of the average daily value of the net assets of the Fund                                |
| <b>Fee for, among other things, management of collateral for derivative transactions</b>              | up to 0.10% p.a. of the average net assets of the Fund, calculated using daily values                                           |
| <b>End of the financial year:</b>                                                                     | 30 September                                                                                                                    |
| <b>Annual Report date:</b>                                                                            | 30. September, issued around the middle of January                                                                              |
| <b>Semi-Annual Report date:</b>                                                                       | 31. March, issued around the middle of May                                                                                      |
| <b>Stock exchange listing of units:</b>                                                               | not planned                                                                                                                     |
| <b>Announcement of deposit in Mémorial:</b>                                                           |                                                                                                                                 |
| Basic Regulation:                                                                                     | 30 April 2016                                                                                                                   |
| Special Regulation:                                                                                   | 31 May 2016                                                                                                                     |



## II. Management Regulation

### Basic Regulation

This Basic Regulation was deposited with the Luxembourg commercial and company register and a notice advising of this deposit was published on 30 April 2016 in Mémorial C, Recueil des Sociétés et Associations ("Mémorial"), the official gazette of the Grand Duchy of Luxembourg.

### Article 1

#### Scope of application and definitions

1. Deka International S.A., Luxembourg, has prepared this Basic Regulation for the investment funds it established as mutual funds ("fonds commun de placement") under Part I of the Law of 2010. It applies only to funds whose Special Regulation declares that this Basic Regulation forms an integral part of the Fund Management Regulation. The Basic Regulation lays down general principles, while the specific characteristics of each fund are described in the associated Special Regulation. The Special Regulation may also include provisions which supplement or deviate from individual provisions in the Basic Regulation. Taken together, a fund's Special Regulation and Basic Regulation form the Management Regulation of the fund concerned (referred to hereafter as the "Fund").

2. The following definitions apply:

#### "valuation date":

unless provided otherwise in the Special Regulation, any day that is a stock exchange dealing day in both Luxembourg and Frankfurt am Main. As a rule, no valuation is performed on dealing days that are statutory holidays at one of the above locations, or on 24 December and 31 December. The Management Company can decide to perform a valuation on these dates. In this case, the information will be announced in at least two daily newspapers with adequate circulation, including at least one Luxembourg daily newspaper.

#### "CSSF":

Commission de Surveillance du Secteur Financier (the Luxembourg financial markets regulator).

#### "derivatives":

derivative financial instruments, in particular, options, futures and swaps.

#### "Non-Member State":

any state that is not a "Member State".

#### "money market instruments":

instruments within the meaning of Article 3 of the Grand-Ducal regulation of 8 February 2008, which implements Directive 2007/16/EC, that are normally traded in the money market, are liquid, and whose value can be precisely determined at any time.

#### "Law of 2010":

the Luxembourg Law of 17 December 2010 on undertakings for collective investment (including subsequent changes and amendments).

#### "Member State":

the Member States of the European Union and the other Contracting States of the Agreement on the European Economic Area (Iceland, Norway, Liechtenstein).

#### "Net assets of the Fund":

the assets of the Fund less liabilities attributable to the Fund.

#### "UCI":

an undertaking for collective investment.

#### "UCITS":

an undertaking for collective investment in transferable securities which is governed by Directive 2009/65/EC.

#### "OTC derivatives":

derivatives not traded on a stock exchange.

#### "transferable securities":

■ shares and other securities equivalent to shares ("shares")

■ bonds and other debt instruments ("bonds")

■ all other negotiable securities within the meaning of Article 2 of the Grand-Ducal regulation of 8 February 2008 (implementing Directive 2007/16/EC) that entitle the holder to acquire transferable securities by subscription or exchange, excluding the techniques and instruments referred to in Articles 8 to 10.

### Article 2

#### The Fund

1. The Fund is a legally dependent investment fund ("fonds commun de placement") comprised of transferable securities and/or other assets ("Fund assets"). It is managed by the Management Company in accordance with the principle of risk diversification. The assets of the Fund are kept in safe-keeping by the Custodian.
2. The Fund can be comprised of one or more subfunds within the meaning of Article 181 of the Law of 2010, if this is provided for in the Special Regulation of the Fund. The Fund consists of all of the subfunds taken as a whole. Every investor participates in the Fund through its participation in a subfund. In terms of the relationship with unit holders, each subfund is a separate investment fund independent of the other subfunds. The rights and obligations of the unit holders of one subfund are segregated from those of the unit holders of the other subfunds. The assets of a subfund are only liable for obligations to third parties that are attributable to that subfund.

If the Fund is comprised of a number of subfunds, each subfund is treated as a separate fund, unless provided otherwise in the Special Regulation of the Fund or by law; in particular, each subfund is treated as a separate fund in terms of its investments and investment policy (Articles 5 to 10).

3. The contractual rights and obligations of holders of units ("unit holders"), the Management Company, and the Custodian are laid down in the Management Regulation, which the Management Company prepares with the approval of the Custodian. The Management Company may change the Management Regulation, including both the Basic Regulation as well as the Special Regulation, at any time in whole or in part with the approval of the Custodian. Unless provided otherwise, the Management Regulation and any amendments to it enter into force on the date they are signed. The German text of the Management Regulation shall prevail.

By purchasing a unit, a unit holder accepts the Management Regulation and all of its amendments.

4. The Management Regulation is governed by Luxembourg law. In particular, the provisions of the Law of 2010 apply in addition to the provisions of the Management Regulation. The same applies to legal relationships between unit holders, the Management Company, and the Custodian.
5. The competent court in the judicial district of Luxembourg in the Grand Duchy of Luxembourg shall have jurisdiction in the event of legal disputes between unit holders, the Management Company, and the Custodian. The Management Company and the Custodian have the right to submit themselves and the Fund to the jurisdiction and the law of any country in which units of the Fund are publicly marketed, provided the matter concerns claims by unit holders resident in the country in question and circumstances related to the Fund.
6. Unless provided otherwise in the Special Regulation of the Fund, the Fund shall be established for an indeterminate period. It may, however, be dis-

solved at any time by the Management Company. The unit holders, their heirs or legal successors or creditors cannot demand either the dissolution or division of the Fund.

7. Unit holder claims against the Management Company or Custodian that are older than five years may no longer be asserted in court; this does not affect the provisions in Article 19.
8. The Fund's Annual Report shall be audited by an auditor appointed by the Management Company.

#### **Article 3**

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

1. Deka International S.A. is the Management Company for the Fund.
2. The Management Company manages the Fund in its own name, but solely in the interest and for the joint account of the unit holders. Its management authority extends to the exercise of all rights relating directly or indirectly to the assets of the Fund.
3. The Management Company establishes the investment policy of the Fund, taking into account statutory and contractual investment restrictions. It may consult with investment advisors at its own risk and at its own cost and may in particular seek advice from an investment committee. The Management Company Supervisory Board may entrust one or more of its members, or other natural or legal persons, with the day-to-day implementation of investment policy.
4. When managing the Fund, the Management Company shall use a risk management method which continuously monitors and measures the risk associated with each investment and its contribution to the overall risk profile of the Fund, as well as a method

for providing accurate and independent valuation of OTC derivatives.

#### **Article 4**

##### **The Custodian**

1. The Custodian for the Fund is Deka-Bank Deutsche Girozentrale Luxemburg S.A.
2. The responsibility for maintaining the assets of the Fund in safekeeping is delegated to the Custodian. The rights and obligations of the Custodian are governed by Luxembourg law, the Management Regulation and the Custodian Agreement.
3. The Custodian shall hold all transferable securities and other assets of the Fund in safekeeping in accounts and securities accounts which may only be drawn on in accordance with the provisions of the Management Regulation. At its own risk and with the agreement of the Management Company, the Custodian may delegate the safekeeping of transferable securities and other assets to third parties, in particular other banks and central securities depositories.
4. To the extent legally permissible, the Custodian is authorised and required to perform the following in its own name:
  - a) assert claims by unit holders against the Management Company or a previous Custodian;
  - b) raise objections and take action against third-party enforcement measures if the Fund assets are not liable for the claim being enforced.
5. The Custodian is bound by the instructions of the Management Company, provided such instructions are not in conflict with legal requirements, the Management Regulation or the Sales Prospectus of the Fund.

6. Both the Custodian and the Management Company have the right to terminate the appointment of the Custodian at any time in accordance with the Custodian Agreement. In the event of termination, the Management Company shall dissolve the Fund in accordance with Article 19 paragraph 1 letter c) or appoint another bank as Custodian within two months and with the approval of the CSSF; until that time, to ensure that the interests of unit holders are safeguarded, the current Custodian shall fulfil its obligations as Custodian in their entirety.

## Article 5 Investments

1. The Fund may hold investments in the following assets:

- a) transferable securities and money market instruments listed or traded on a regulated market as defined in Article 4 no. 14 of amended Council Directive 2004/39/EC of 21 April 2004 on markets in financial instruments (MiFID);
- b) transferable securities and money market instruments traded on another regulated market in a Member State, which operates regularly and is recognised and open to the public;
- c) transferable securities and money market instruments officially listed on a securities exchange or traded on another regulated market in a non-Member State that operates regularly, and is recognised and open to the public, in particular primarily on securities exchanges and regulated markets located in Europe, Asia, Australia (including Oceania), the Americas and/or Africa;
- d) recently issued transferable securities and money market instruments, provided that the terms of issue include an undertaking that application will be

made for admission to official listing on one of the securities exchanges referred to in letters a), b) or c) or on another regulated market referred to in letters a), b) or c), which operates regularly and is recognised and open to the public, and that such admission is secured within a year of issue;

e) units of UCITS authorised according to Directive 2009/65/EC and/or other UCIs within the meaning of Article 1 paragraph 2 letters a) and b) of Directive 2009/65/EC, provided that

- these other UCIs were authorised under laws which provide that they are subject to official supervision considered by the CSSF to be equivalent to that laid down in Community law, and that cooperation between authorities is sufficiently ensured,

- the level of protection for unit holders in the other UCIs is equivalent to that provided for unit holders in a UCITS, in particular that the rules on asset segregation borrowing, lending and short sales of transferable securities and money market instruments are equivalent to the requirements of Directive 2009/65/EC,

- the business of the other UCIs is reported in Annual and Semi-Annual Reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period,

- no more than 10% of the net assets of the UCITS or UCI, whose acquisition is contemplated, can, according to their instruments of incorporation, be invested in aggregate in units of other UCITS or UCIs;

f) deposits with credit institutions that are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the financial institution has its registered office in a Member State or, if the registered office of the financial institution is situated in a non-Member State, provided that it is subject to prudential rules considered by the

CSSF as equivalent to those laid down in Community law;

g) derivatives, including equivalent cash-settled instruments, traded on a regulated market referred to in letters a), b) and c), and/or OTC derivatives, provided that

- the underlying assets consist of instruments covered by this paragraph 1, or financial indices, interest rates, foreign exchange rates or currencies, in which the Fund may invest according to its investment objectives as stated in the Fund's Management Regulation,

- the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the CSSF, and

- the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an off-setting transaction at any time at their fair value at the Fund's initiative;

h) money market instruments other than those traded on a regulated market and which fall under Article 1 paragraph 2, if the issuer or the issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and provided that they are

- issued or guaranteed by a central, regional or local authority or by a central bank of a Member State, the European Central Bank, the European Union or the European Investment Bank, a non-Member State or, in the case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more Member States belong, or

- issued by an undertaking any securities of which are traded on one of the regulated markets referred to in letters a), b) or c), or

- issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by Community law, or by an establishment which is subject to and complies with prudential rules considered by the CSSF to be at least as stringent as those laid down by Community law, or

- issued by other bodies belonging to the categories approved by the CSSF provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is either a company whose equity capital (paid-in capital and reserves) amounts to at least EUR 10.0 million and which prepares and publishes its annual accounts in accordance with the fourth Directive 78/660/EEC or 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. The Fund may invest no more than 10% of its net assets in transferable securities and money market instruments other than those referred to in paragraph 1.
3. The Fund may hold ancillary liquid assets.
4. Neither the Management Company nor the Custodian may perform the following for the account of the Fund:
  - a) acquire either precious metals or certificates representing them;
  - b) acquire immovable property. Investments in transferable securities backed by immovable property or interest earned on such securities, as well as investments in transferable securities issued by companies that invest in immovable property and interest earned on such securities are permitted;

- c) borrow. This does not apply to borrowing up to a total of 10% of the net assets of the Fund, provided that the borrowing is on a temporary basis. The Fund may also acquire foreign currency by means of a back-to-back loan;
- d) grant loans to or act as guarantor for third parties. This shall not prevent acquisitions of transferable securities or money market instruments or other financial instruments referred to in paragraph 1 letters e), g) and h) which are not fully paid;
- e) carry out short sales of transferable securities, money market instruments or other financial instruments referred to in paragraph 1 letters e), g) and h).

#### **Article 6**

##### **Investment limits**

1. The Fund may invest no more than 10% of its net assets in transferable securities or money market instruments issued by the same body. The Fund may not invest more than 20% of its net assets in deposits made with the same body. The risk exposure to a counterparty of the Fund in an OTC derivative transaction may not exceed 10% of its net assets when the counterparty is a credit institution referred to in Article 5 paragraph 1 letter f), or 5% of its net assets in other cases.
2. The total value of the transferable securities and money market instruments held by the Fund in the issuing bodies in each of which it invests more than 5% of its net assets must not exceed 40% of the value of its net assets. This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.

Notwithstanding the individual upper limits laid down in paragraph 1, the Fund may only invest up to 20% of its net assets with a single body in a combination of

- investments in transferable securities or money market instruments issued by a single body, and/or

- deposits made with a single body, and/or
- OTC derivative transactions undertaken with this body.

3. The upper limit indicated in paragraph 1 sentence 1 equals 35% for transferable securities or money market instruments if these are issued or guaranteed by a Member State, by its local authorities, by a non-Member State or by public international bodies of which one or more Member States are members.
4. The upper limit indicated in paragraph 1 sentence 1 equals 25% for certain bonds when they are issued by a financial institution which has its registered office in a Member State and is subject by law to special public supervision designed to protect bondholders. In particular, proceeds deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in case of bankruptcy of the issuer, would be used on a priority basis for the repayment of principal and payment of the accrued interest. If the Fund invests more than 5% of its net assets in such bonds, which are issued by one single issuer, the total value of such investments may not exceed 80% of the value of the net assets of the Fund.

5. The transferable securities and money market instruments referred to in paragraphs 3 and 4 are not included in the calculation of the limit of 40% referred to in paragraph 2.

The limits set out in paragraphs 1, 2, 3 and 4 may not be combined, and thus investments in transferable securities or money market instruments of the same body, or in deposits or derivative instruments made with this body carried out in accordance with paragraphs 1, 2, 3 and 4 may not exceed a total of 35% of the net assets of the Fund.

6. 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 issuer for the purpose of calculating the limits contained in paragraphs 1 to 6.

The Fund may cumulatively invest up to 20% of its net assets in transferable securities and money market instruments within the same group.

7. The Fund may acquire the units of other UCITS and/or other UCIs referred to in Article 5 paragraph 1 letter e), provided that no more than 20% of its net assets are invested in the units of a single UCITS or other UCIs. For the purpose of the application of this investment limit, each subfund of an umbrella fund within the meaning of Article 181 of the Law of 2010 is deemed to be an independent issuer provided that segregation of the obligations of the various subfunds vis-à-vis third parties is ensured.
8. Investments made in units of UCIs other than UCITS may not in aggregate exceed 30% of the net assets of the Fund.
9. When the Fund has acquired units of another UCITS and/or other UCIs, the

assets of the respective UCITS or other UCIs do not have to be combined for the purposes of the upper limits laid down in paragraphs 1 to 6.

10. When the Fund invests in the units of other UCITS and/or other UCIs that are managed, directly or by delegation, by the same Management Company or by any other company with which the Management Company is linked by common management or control, or by a substantial direct or indirect holding, that management company or other company may not charge subscription or redemption fees on account of the Fund's investment in the units of these other UCITS and/or UCIs.

11. If the Fund is a legal entity with a number of subfunds, where the assets of each subfund are exclusively reserved to the investors in such subfund and to those creditors whose claim has arisen in connection with the creation, operation or liquidation of that subfund, then each subfund is to be considered as a separate Fund for the purposes of application of the provisions of this Article 6.

12. While ensuring observance of the principle of risk-spreading, the Fund is permitted to deviate from the investment limits of this Article 6 during the six-month period following approval of the Fund.

## Article 7 Issuer limits

1. The Management Company acting in connection with all of the funds which it manages and which fall within the scope of Part I of the Law of 2010 may not acquire voting shares to an extent which would enable it to exercise significant influence over the management of the issuing body.
2. Moreover, the Fund may acquire no more than:

- 10% of the non-voting shares of the same issuer;
- 10% of the debt securities of the same issuer;
- 25% of the units of the same UCITS and/or other UCIs;
- 10% of the money market instruments of the same issuer.

The investment limits laid down in the second, third and fourth indents may be disregarded at the time of acquisition if at that time the gross amount of the bonds or of the money market instruments or the net amount of the instruments issued cannot be calculated.

3. Paragraphs 1 and 2 are waived as regards
  - a) transferable securities and money market instruments issued or guaranteed by a Member State or its local authorities;
  - b) transferable securities and money market instruments issued or guaranteed by a non-Member State;
  - c) transferable securities and money market instruments issued by public international bodies of which one or more Member States are members;
4. The Fund need not comply with the investment limits laid down in Articles 5 to 7 when exercising subscription rights attaching to transferable securities or money market instruments which form part of its assets.
5. If the limits referred to in Articles 5 to 7 are unintentionally exceeded, or exceeded as a result of the exercise of subscription rights, the Fund must endeavour to conduct its sales in accordance with the primary goal of normalising this situation while taking into account the interests of the unit holders.



## **Article 8**

### **Techniques and instruments**

1. The Fund may use techniques and instruments relating to transferable securities and money market instruments for the purpose of efficient portfolio management under the conditions and within the limits specified by the CSSF. If these transactions relate to the use of derivatives, the conditions and limits must be consistent with the provisions of the Law of 2010. Under no circumstances shall these operations cause the Fund to diverge from its investment objectives as laid down in the Basic or Special Regulation or in its Sales Prospectus.
2. The Fund may invest in derivatives as part of its investment policy and within the limits laid down in Article 6 paragraphs 5 and 6, provided that the total risk exposure of the underlying assets does not exceed the investment limits laid down in Article 6. Fund investments in index-based derivatives do not need to be counted towards the limits laid down in Article 6 paragraphs 1 to 6. If a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the provisions of this Article.
3. The Fund 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 fluctuations and the time available to liquidate the positions.
4. Aside from the securities lending activities under Article 9 and securities sale and repurchase agreements under Article 10, the other techniques and instruments which the Fund is permitted to use are specified in the Sales Prospectus of the Fund.

5. The techniques and instruments relating to transferable securities which are performed under Article 5 paragraph 1 letter g) are entered into for the purpose of hedging and efficient portfolio management. The Management Company shall only enter into these transactions with counterparties that are first-class financial institutions which specialise in such transactions and whose creditworthiness is categorised as "investment grade" by an independent rating agency.

## **Article 9**

### **Securities loans**

1. The Fund may lend and borrow securities within a standardised system organised by a recognised clearing institution or a first-class financial institution specialising in such transactions, or under a standard master agreement.
2. Where the Fund lends securities, the securities may be lent for a maximum of 30 days and may not exceed 50% of the total value of the securities in its securities portfolio. These restrictions do not apply if the Fund has the right to terminate the securities loan at any time and demand restitution of the lent securities. The counterparty acting as borrower for the securities loan must be subject to supervisory provisions that, based on applicable administrative practice, can be considered equivalent to the regulations provided for under Community law.
3. As a rule, when making a loan of securities, the Fund must receive a guarantee whose value is at least equal to the value of the lent securities at the time the contract is concluded. This guarantee must satisfy the requirements of CSSF Circular 08/356. A guarantee such as this is not required if the securities loan is transacted via a recognised clearing institution that ensures, by means of a guarantee or in

some other manner, restitution of the securities to the lender. Unless otherwise provided in the Special Regulation of the Fund, the guarantee can also be in the form of shares. The shares issued as a guarantee must be listed or traded on a regulated market in a Member State of the European Union or on a stock exchange in an OECD Member Country and must be contained in a major index. Collateral management is calculated daily and adjusted accordingly.

4. The Fund may borrow securities in connection with the settlement of securities transactions under the following conditions:
  - a) during a period in which the securities have been sent for renewal of registration;
  - b) if securities have been lent and are not returned at the proper time;
  - c) to prevent the settlement from failing if the Custodian fails to fulfil its duty to deliver.

The total value of borrowed securities may not exceed 50% of the value of the Fund's security portfolio.

Securities borrowed by the Fund may not be disposed of during the time that they are in the possession of the Fund, unless they are sufficiently secured by financial instruments that enable the Fund to return the borrowed securities at the end of the contract.

## **Article 10**

### **Securities repurchase agreements**

1. From time to time, the Fund may use securities sale and repurchase agreements to purchase and sell transferable securities and money market instruments which the Fund is permitted to acquire, provided the seller makes a commitment to repurchase the trans-

ferable securities or money market instruments at a pre-arranged price at the end of the agreed term. The counterparty to this agreement must be a top-rated financial institution specialising in such transactions, and the term may not exceed twelve months. The Fund may not dispose of the securities or money market instruments involved in the transaction during the term of a sale and repurchase agreement.

2. The volume of securities sale and repurchase agreements must at all times be held at a level where the Fund is able to fulfil its obligation to redeem units at any time. The share of these transactions may not, however, exceed 10% of the net assets of the Fund with the same counterparty and, in total, 50% of the net assets of the Fund.

## Article 11 Units

1. Units of the Fund shall be certificated by global bearer certificates. Unit holders are not entitled to receive delivery of physical securities.
2. All units of the Fund have the same rights. The Special Regulation may provide for unit classes and for differing terms for the units with respect to utilisation of earnings, issuing surcharge, redemption fee, distribution commission, management fee, unit currency or other criteria, or a combination of the same. From the time of issue, all units in a unit class have the same rights to earnings, price gains and liquidation proceeds.
3. The Management Company, Custodian and all Payment Agents issue and redeem units and make unit payments.

## Article 12 Unit value calculation

1. The value of a unit ("unit value") is denominated in the currency specified

in the Special Regulation ("Fund currency"). The said value is calculated by the Management Company or a third party it has engaged, under the supervision of the Custodian, on each valuation date. The calculation is performed by dividing the net assets of the Fund at the time by the number of units in circulation on the valuation date.

2. The value of the net assets of the Fund is calculated according to the following principles:
  - a) The value of assets that are listed or traded on a stock exchange or other regulated market is set equal to the last available quotation, unless provided otherwise below.
  - b) If an asset is not listed or traded on a stock exchange or other regulated market, or an asset is listed or traded on a stock exchange or other regulated market but the quotation does not appropriately reflect the actual market value, the value of the asset is set equal to a conservative estimate of the expected sales price, unless provided otherwise below.
  - c) Units in a UCITS or UCI are valued at the last redemption price that was set and could have been realised.
  - d) The value of cash on hand or bank deposits, deposit certificates and outstanding receivables, prepaid expenses, cash dividends, and interest declared or accrued but not yet received is equal to the full amount of the item less an appropriate discount if it is likely that the amount cannot be fully paid or received.
  - e) The realisable value of futures and options traded on a stock exchange or other regulated market is calculated using the last available trading price.
  - f) The realisable value of futures, forwards, and options that are not traded on a stock exchange or other regulated

market, and of futures and options that are traded on a stock exchange or other regulated market, but for which liquidation was not possible on the valuation date, corresponds to their net realisable value as determined on a consistent basis according to Supervisory Board guidelines for all of the various types of contracts.

- g) Swaps are valued at their market value.
- h) All other securities or assets are valued at an appropriate market value as determined in good faith using a procedure established by the Supervisory Board.
- i) The value of all assets and liabilities not denominated in the Fund currency is converted to this currency using the last available exchange rate. If such exchange rates are not available, the exchange rate shall be determined in good faith using a procedure established by the Supervisory Board.
- j) At its sole discretion, the Management Company may allow other valuation methods if it considers this important for appropriate valuation of an asset in the Fund with respect to its expected realisable value.
- k) If the Management Company considers that the unit value determined on a certain valuation date does not reflect the actual value of a unit of the Fund, or if significant movements have taken place on the stock markets and/or markets concerned, the Management Company may decide to update the unit value that same day. Under these circumstances, all requests for subscription and redemption received for this valuation date shall be honoured at the unit value as updated in accordance with the principle of good faith.
3. If unit classes have been established for the Fund, the following special considerations apply to the calculation of unit value:



a) Calculation of unit value is performed for each unit class separately based on the criteria listed in paragraph 1 of this Article.

b) The inflow of funds resulting from the issue of units in a class increases the percentage share of that unit class in the total net asset value of the Fund. The outflow of funds resulting from the redemption of units in a class reduces the percentage share of that unit class in the total net asset value of the Fund.

c) If a distribution is made, the unit value of the units in the unit class entitled to the distribution decreases by the amount of the distribution. At the same time, this reduces the percentage share of the total net asset value of the Fund for this unit class, while the percentage share of the total net asset value increases for the unit class not entitled to the distribution.

4. Earnings equalisation can be performed for the Fund.

5. In the case of large requests for redemption that cannot be satisfied using the Fund's liquid assets and permitted borrowing, the Management Company may determine the unit value based on the market prices on the valuation date on which it conducts the necessary sales for the Fund; this then also applies to requests for Fund subscription submitted at the same time.

6. The Management Company has the right to temporarily suspend calculation of the unit value, if and for as long as circumstances exist which make this suspension necessary, and if the suspension is justified in the interests of unit holders, in particular:

■ during the time that a stock exchange or other market where a substantial portion of the assets of the Fund is officially listed or

traded is closed (except for normal week-ends or holidays) or trading on this stock exchange or other market was suspended or restricted;

■ in cases of need, when the Management Company is unable to dispose of the investments of the Fund, or it is impossible for it to freely transfer the transaction value for investment purchases or sales or to properly calculate the unit value.

The Management Company shall promptly publish the suspension or resumption of unit value calculation in at least two daily newspapers with adequate circulation, including at least one Luxembourg daily newspaper, and shall inform all unit holders who have offered units for redemption.

#### **Article 13 Issue of units**

1. Units are issued at the issue price and terms specified in the Special Regulation of the Fund.
2. At its sole discretion, the Management Company may at any time reject a request for subscription or temporarily restrict, suspend or permanently discontinue the issue of units, provided this is considered necessary in the interest of the unit holders as a whole, for the protection of the Management Company, or the Fund, in the interest of the investment policy, or if the specific investment objectives of the Fund are endangered.
3. As a rule, units are purchased at the issue price on the valuation date in question. Requests for subscription that the Management Company receives by 12:00 p.m. (midday) (Luxembourg time) at the latest on a valuation date shall be settled based on the unit value on that valuation date. Requests for subscription that are received after 12:00 p.m. (midday) (Luxembourg time) shall be settled based on the unit value on the next valuation date.

4. The issue price is due within two bank working days after the valuation date concerned.

5. The Custodian shall allocate units on behalf of the Management Company promptly after the Custodian has received the issue price and transfer them by delivering the appropriate number of unit certificates.

6. The Custodian shall promptly refund any payments received for subscription requests that are not carried out.

#### **Article 14 Redemption of units**

1. The unit holders of the Fund have the right to request redemption of their units at any time at the redemption price and terms specified in the Special Regulation of the Fund. Redemption is carried out on valuation dates only. As a rule, the redemption price is paid out two bank working days following the valuation date in question in exchange for surrender of the units. The Management Company reserves the right to extend the period for payment of the redemption price to up to 5 bank working days, if this is necessary as a result of delays in the payment of proceeds from asset sales to the Fund due to market impediments resulting from stock exchange control provisions or similar market restrictions in a market on which a significant quantity of the assets of the Fund are invested, or in extraordinary circumstances in which the Fund is unable to pay the redemption price within a period of two bank working days.
2. As a rule, redemption takes place at the redemption price on the valuation date in question. Requests for redemption that the Management Company receives by 12:00 p.m. (midday) (Luxembourg time) at the latest on a valuation date shall be settled at the unit

value on that valuation date. Requests for redemption that are received after 12:00 p.m. (midday) (Luxembourg time) shall be settled at the unit value on the next valuation date.

3. The Management Company is authorised to temporarily suspend unit redemption with prior approval from the Custodian. In particular, suspension is possible in the following situations:

- In the case of large requests for redemption that cannot be satisfied using the Fund's demand deposits, quickly liquidated assets and permissible borrowings;
- if unit value calculation in accordance with Article 12 paragraph 5 has been temporarily suspended;
- following announcement of dissolution of the Fund for the purpose of liquidation proceedings;
- for other reasons that make this appear justified and/or necessary in the interests of the investors of the Fund as a whole, e.g. if illiquid markets would prevent asset sales from generating the proceeds that would be received under normal market conditions.

The Management Company shall promptly publish the suspension or resumption of redemption in at least two daily newspapers with adequate circulation, including at least one Luxembourg daily newspaper, and shall inform all unit holders who have offered units for redemption. Article 19 paragraph 3 shall apply if redemption is suspended due to liquidation of the Fund or, if applicable, a subfund.

4. The Custodian is only required to make payment insofar as no statutory provisions, e.g. foreign exchange regulations, or other circumstances outside the control of the Custodian exist, which prohibit the transfer of the redemption price to the country of the unit holder submitting the request.

5. The Management Company may unilaterally repurchase units for the Fund in exchange for the redemption price, provided this is deemed to be necessary in the interest of the unit holders as a whole, or for the protection of the Management Company or the Fund.

#### **Article 15 Utilisation of earnings**

1. The distribution policy of the Fund and/or of its individual unit classes is laid down in the Special Regulation of the Fund.
2. Ordinary net income and realised price gains may be distributed. Unrealised price gains and other assets may also be distributed, provided that the net assets of the Fund do not fall below the minimum limit specified under Article 19 paragraph 1 letter a) as a result of the distribution.
3. Distributions are paid to the units outstanding on the distribution date.
4. The submission period for coupons is five years following publication of the associated notice of distribution. Distributions that are not claimed within this period become time-barred to the benefit of the Fund. The Management Company is authorised, but not required, to pay distributed amounts to unit holders who do not assert their claim to a distribution until after the limitation period has expired.

#### **Article 16 Merger of the Fund or subfunds**

1. The Management Company can, by means of a resolution of the Supervisory Board and, where applicable, in accordance with the conditions and procedures indicated in the Law of 2010 and applicable administrative provisions, merge the Fund or, if applicable,

one or more subfunds of the Fund, with another existing or jointly established subfund, other Luxembourg funds or subfunds, another foreign UCITS or subfund of another foreign UCITS, while either dissolving but not liquidating, or else maintaining the Fund or subfunds concerned until all liabilities have been repaid.

2. The Management Company shall announce the merger of the Fund or subfund in accordance with Article 18 paragraph 5. Unit holders have the right to request redemption or, if applicable, exchange of their units for units of another fund or subfund with a similar investment policy that is managed by the same Management Company or another company with which the Management Company is related via common management or control, or by a substantial direct or indirect equity interest within a period of 30 days at no cost other than the costs deducted by the Fund or subfund to cover the costs of dissolution.

The unit holders of the absorbed Fund or subfund become unit holders of the absorbing fund or subfund when the merger takes effect.

3. Legal, consulting or administrative expenses related to the preparation and performance of the merger shall not be charged to the funds or subfunds concerned, or their unit holders.

#### **Article 17 General costs**

1. In addition to the costs listed in the Special Regulation of the Fund, the following costs may also be charged to the Fund:
  - a) taxes and similar charges levied against the Fund, based on the assets of the fund in question, its income or expenses;

- b) costs for legal advice that are incurred by the Management Company or Custodian while acting in the interest of the unit holders of the Fund;
  - c) fees charged by the Fund auditor and fees for the audit of its tax accounting;
  - d) costs for the preparation of unit certificates and coupons;
  - e) costs for coupon redemption;
  - f) costs for the preparation, deposit, and publication of the Basic Regulation and Special Regulation of the Fund, as well as other documents such as Sales Prospectuses, Key Investor Information and other documents which relate to the Fund and are required for distribution of the units of the Fund in certain countries in accordance with the regulations in those countries, including costs of registration applications or of written explanations to all registration authorities and stock exchanges (including local security trader associations) which must be undertaken in connection with the Fund or the offer of its units;
  - g) costs of printing and distributing the Annual and Semi-Annual Reports for unit holders in all required languages, as well as the costs of printing and distributing all other reports and documents which are required under applicable laws or regulations of the authorities indicated;
  - h) costs of publications intended for unit holders;
  - i) a reasonable share of the costs of advertising and of costs incurred directly in connection with the offering and sale of units;
  - j) all costs in connection with the acquisition and disposal of assets.
2. All costs shall first be applied against

current income, then capital gains and finally the Fund assets.

## **Article 18 Publications**

1. The first valid version of this Basic Regulation and the Special Regulation of the Fund, and their amendments, shall be deposited at the office of the District Court in Luxembourg and a notice advising of said deposit published in Mémorial C, Recueil des Sociétés et Associations ("Mémorial"), the official gazette of the Grand Duchy of Luxembourg.
2. When required, amendments to this Basic Regulation and the Special Regulation of the Fund shall also be published in at least two daily newspapers with adequate circulation, including at least one Luxembourg daily newspaper.
3. Information on issue and redemption prices may be obtained from the Management Company and other offices listed in the Sales Prospectus.
4. The Management Company shall prepare a Sales Prospectus, a short Key Investor Information document, an audited Annual Report and a Semi-Annual Report in accordance with the statutory provisions of the Grand Duchy of Luxembourg. These Fund documents may be obtained free of charge upon request at the registered office of the Management Company and at other offices listed in the Sales Prospectus.
5. The Management Company shall publish the merger of the Fund or subfund at least 30 days in advance in one national daily newspaper in each country where the units of the Fund or subfund are distributed, in accordance with the requirements of the Law of 2010 and applicable administrative

provisions, including a notice that unit holders have the right during this time to redeem units at no cost at the current unit value in accordance with Article 16 paragraph 2.

## **Article 19 Liquidation**

1. The Management Company can dissolve the Fund or a subfund while appropriately taking into account the interests of unit holders. Dissolution of the Fund or a subfund is compulsory in the cases provided for by law, in particular
  - a) if the net assets of the Fund do not reach the equivalent value of at least EUR 1.25 million within the period of six months following approval of the Fund;
  - b) if the net assets of the Fund remain below a quarter of the minimum limit in a) for a period of more than six months;
  - c) if the appointment of the Custodian is terminated, and a new Custodian is not appointed within the statutory or contractual period;
  - d) if the Management Company becomes bankrupt or is dissolved for any reason;
  - e) in other cases provided for in the Law of 2010.
2. The Management Company shall publish the dissolution of the Fund or a subfund in accordance with statutory provisions in Mémorial and in at least two daily newspapers with adequate circulation, including at least one Luxembourg daily newspaper.
3. If circumstances occur that lead to the dissolution of the Fund, the issue and redemption of units shall be suspended. The Management Company can,

however, permit the redemption of further units while taking into account the interests of unit holders, provided that investors are treated equally, and can reduce the amount payable for unit redemption by the costs of liquidation, in particular fees payable in this regard. If redemption is discontinued or suspended during liquidation, this shall be indicated in the publication performed in accordance with paragraph 2.

4. On the instructions of the Management Company or, if applicable, the liquidators appointed by the Management Company or the Custodian, the Custodian shall distribute the liquidation proceeds to unit holders according to their claims, while making a pro rata deduction for liquidation costs, in particular fees payable in this regard ("net liquidation proceeds"). After liquidation proceedings have been concluded, to the extent required by law at that time, the Custodian shall convert into euros the net liquidation proceeds that remain uncollected by unit holders after conclusion of the liquidation proceedings, and deposit said proceeds for the account of the unit holders concerned at the Caisse des Consignation in Luxembourg, where these amounts will be forfeited if not claimed from this organisation before expiration of the statutory deadline.

## Special Regulation

### DekaLux-Europa

for the Basic Regulation, as amended on 15 May 2016, prepared by Deka International S.A. for the investment funds it established as mutual funds (fonds communs de placement) under Part I of the Law of 2010.

#### Article 1 The Fund

The current version of the Basic Regulation prepared by Deka International S.A. for the investment funds established by it as mutual funds (fonds communs de placement) under Part I of the Law of 2010 forms an integral part of this Special Regulation for DekaLux-Europa (referred to hereinafter as the "Fund"). The Basic Regulation was deposited with the Luxembourg commercial and company register and an announcement of this deposit published in Mémorial on 30 April 2016.

#### Article 2 Investment policy

1. The main objective of the investment policy of DekaLux-Europa is to achieve performance in line with the performance of European equity markets.
2. To this end, the assets of the Fund will be invested in accordance with the principle of risk diversification and the general guidelines governing investment policy in Article 5 of the Basic Regulation, primarily in shares of companies with registered offices in European countries.
3. The total proportion of convertible and warrant-linked bonds may not exceed 10% of the net assets of the Fund. The proportion of securities from European issuers must be greater than two-thirds of the respective security portfolio.

4. Up to 10% of the net assets of the Fund may be invested in investment units as set out in Article 5 paragraph 1 letter e) of the Basic Regulation.
5. Bank balances as set out in Article 5 paragraph 1 letter f) of the Basic Regulation and liquid assets as set out in Article 5 paragraph 3 of the Basic Regulation may also be held.

#### Article 3 Units

Units of unit class TF (A) have been created for the Fund.

#### Article 4 Fund currency, issuing and redemption of units

1. The Fund currency is the euro.
2. Units are issued on every valuation date. The issue price is the unit value as calculated according to Article 12 paragraph 1 of the Basic Regulation. The issue price may be increased by fees or other charges incurred in the country of distribution.
3. The redemption price is the unit value as calculated according to Article 12 paragraph 1 of the Basic Regulation. The redemption price may be decreased by fees or other charges incurred in the respective country of distribution.

#### Article 5 Utilisation of earnings

1. For unit class TF (A), it is intended that the Company should, as a rule, distribute to investors the interest, dividends and income from loan and sale and repurchase agreements not earmarked to cover costs in accordance with Arti-

cle 15 paragraphs 2 to 4 of the Basic Regulation. Gains on disposals and other income can also be distributed. Management decides each year, taking into account economic factors and exigencies, if and to what extent a distribution should be made.

2. If a distribution is performed, it takes place once per year within the three months following the end of the financial year.

#### Article 6 Costs

1. The Management Company receives an annual fee from the Fund of up to 2.00% p.a. for central management and investment management, calculated based on the average net assets of the Fund during the month in question and paid monthly in arrears.
2. The Management Company can use third-party services for managing derivative transactions and the collateral for these transactions (collateral management). Other third-party services related to compliance with Regulation (EU) No. 648/2012 (European Market Infrastructure Regulation – EMIR) can also be used, including, among other things, central clearing of OTC derivatives and reports to transaction registers, including costs for legal entity identifiers. The Management Company can charge the Fund up to 0.10% of the average net asset value of the Fund each year, calculated using daily values, for fees and charges for third-party services. The Management Company is at liberty to charge only a partial amount or nothing at all.
3. An annual fee of up to 1.50% is charged for the benefit of the sales offices against the portion of the net assets of the Fund attributable to the units of unit class TF (A). This fee is to be calculated based on the value of

this portion of the net assets of the Fund on the last valuation date of the month in question and paid to the Management Company monthly in arrears.

4. The Management Company can receive a performance fee for managing the assets of the Fund attributable to units in unit class TF (A) of up to 25.00% (maximum amount) of the amount by which unit value performance exceeds the performance of the benchmark index at the end of an accounting period (outperformance of the benchmark), but no more than 2.00% of the average value of the Fund assets during the accounting period.

If unit value performance is below the performance of the benchmark index at the end of an accounting period (negative performance relative to the benchmark), the Management Company receives no performance fee. The negative amount per unit is calculated as in the calculation of positive performance relative to the benchmark using the agreed maximum amount and carried forward to the next accounting period. The Management Company only receives a performance fee for the next accounting period if the amount calculated from the positive performance relative to the benchmark at the end of the accounting period exceeds the negative amount carried forward from the previous accounting period. In this case, the fee to which the Company is entitled is equal to the difference between the two amounts. Any remaining negative amount per unit is once again carried forward to the new accounting period. If performance is once again negative relative to the benchmark at the end of the next accounting period, the existing negative amount carried forward is increased by the amount calculated from this negative performance relative to the benchmark. Negative carryforwards for the previous five accounting periods are taken into ac-

count when calculating the fee entitlement.

A positive amount per unit that cannot be withdrawn is also carried forward into the new accounting period.

The accounting period begins on 1 October and ends on 30 September of each calendar year.

The MSCI Europe Large Cap Net Index in EUR is used as the benchmark index.

The performance fee is calculated by comparing the performance of the benchmark index during the accounting period with unit value performance calculated using the BVI method.

The expenses charged to the Fund may not be deducted from the performance of the benchmark index before the comparison.

Any performance fee accrued as a result of a daily comparison is set aside in the Investment Fund. If unit value performance falls below the performance of the benchmark index during the accounting period, any performance fee previously set aside during the respective accounting period is released again based on the daily comparison. The performance fee set aside at the end of the accounting period can be withdrawn.

If the benchmark index is cancelled, the Management Company will specify another suitable index to take the place of the index that was cancelled.

The performance fee can also be withdrawn if the unit value at the end of the accounting period is below the unit value at the beginning of the accounting period (negative absolute unit value performance).

5. The Management Company receives up to 49% of the income from securities loan transactions and securities

sales and repurchase agreements executed for the account of the Fund as a lump-sum fee for the initiation, preparation and performance of these transactions (including synthetic securities lending transactions). The Company pays any expenses incurred for the preparation and performance of such transactions, including fees payable to third parties (e.g. transaction costs payable to the Custodian).

6. The Management Company receives an annual lump-sum fee from the Fund of up to 0.28%, calculated based on the average net assets of the Fund during the month in question and payable monthly in arrears. Daily values are used for the calculation. The following fees and expenses are included in the lump-sum fee, and are not charged separately against the Fund:

- Custodian fee;
- the expenses indicated in Article 17 paragraph 1 letters b) to i) of the Basic Regulation;
- expenses that may arise in connection with the use of a benchmark index;
- costs and expenses that the Custodian incurs as a result of permissible and normal market delegation of the safekeeping of assets of the Fund to third parties under Article 4 paragraph 3 of the Basic Regulation.

The Fund pays the Custodian a normal bank processing fee for transactions performed for the account of the Fund.

## Article 7 Financial year

The financial year of the Investment Fund ends on 30 September of each year.

### III. Appendix

## Your partners in the Sparkassen-Finanzgruppe

#### Management Company

Deka International S.A.  
5, rue des Labours  
1912 Luxembourg  
Luxembourg

#### Equity capital (as at 31 December 2015)

|             |                  |
|-------------|------------------|
| subscribed: | EUR 10.4 million |
| paid in:    | EUR 10.4 million |
| liable:     | EUR 77.5 million |

#### Supervisory Board of the Management Company

##### Chairman

Patrick Weydert  
Managing Director of  
DekaBank Deutsche Girozentrale  
Luxembourg S.A., Luxembourg

##### Deputy Chairman

Thomas Ketter  
Managing Director of  
Deka Investment GmbH  
Frankfurt am Main

##### Member

Holger Knüppe  
Director of Equity Investments at  
DekaBank Deutsche Girozentrale  
Frankfurt am Main

##### Management

Holger Hildebrandt  
Director of  
Deka International S.A., Luxembourg

Eugen Lehnertz  
Director of  
Deka International S.A., Luxembourg

#### Custodian and Payment Agent

DekaBank Deutsche Girozentrale  
Luxembourg S.A.  
38, avenue John F. Kennedy  
1855 Luxembourg  
Luxembourg

#### Equity capital (as at 31 December 2015)

EUR 450.5 million

#### Auditor for the Fund and Management Company

KPMG Luxembourg, Société coopérative  
39, Avenue John F. Kennedy  
L-1855 Luxembourg  
Luxembourg

#### Payment and Information Agent in the Federal Republic of Germany

DekaBank Deutsche Girozentrale  
Mainzer Landstraße 16  
60325 Frankfurt  
Germany

The information above is updated in the Annual and the Semi-Annual Reports.



**The Management Company manages the following funds:**

**1. Investment funds under Part I of the Luxembourg Law of 17 December 2010 on undertakings for collective investment**

Deka: (with subfunds)  
 Deka: CapProtect 1  
 Deka: DeutschlandProtect Strategie 90 I  
 Deka: DeutschlandProtect Strategie 90 II  
 Deka: EuroCap Protect 90 I  
 Deka: EuroGarant 6  
 Deka: EuroProtect Strategie 90 I  
 Deka: EuroProtect Strategie 90 II  
 Deka 10/2007 (3 Jahre roll-over)  
 Deka Private Banking Portfolio (with subfunds)  
 Deka Private Banking Portfolio Renten  
 Deka Private Banking Portfolio Aktien Global  
 Deka-BasisStrategie Renten  
 Deka-BF EuroRenten Total Return  
 Deka-Cash  
 Deka-Commodities  
 Deka-ConvergenceAktien  
 Deka-ConvergenceRenten  
 Deka-CorporateBond Euro  
 Deka-CorporateBond High Yield Euro  
 Deka-DeutschlandGarant 1  
 Deka-DeutschlandGarant 4  
 Deka-DeutschlandGarant Strategie 1  
 Deka-Deutschland Nebenwerte  
 Deka-DiscountStrategie 5y  
 Deka-EuroCash  
 Deka-EuroFlex Plus  
 Deka-EuroGarant 1  
 Deka-EuroGarant 2  
 Deka-EuroGarant 3  
 Deka-EuroGarant 4  
 Deka-EuroGarant Strategie  
 Deka-EuroGarant Strategie 1  
 Deka-Euroland Aktien LowRisk  
 Deka-EuropaGarant  
 Deka-Europa Aktien Spezial  
 Deka-Europa Nebenwerte  
 Deka-EuropaValue  
 Deka-EuroStocks  
 Deka-Flex: (with subfunds)  
 Deka-Flex: Euro  
 Deka-Globale Aktien LowRisk

Deka-Global ConvergenceAktien  
 Deka-Global ConvergenceRenten  
 Deka-GlobalOpportunities Plus  
 Deka-GlobalStrategie Garant  
 Deka-GlobalSelect  
 Deka-Institutionell LiquiditätGarant  
 Deka-Institutionell LiquiditätsPlan  
 Deka-LiquiditätsPlan  
 Deka-LiquiditätsPlan 2  
 Deka-Multi Asset Ertrag  
 Deka-Multimanager Strategien  
 Deka-Nachhaltigkeit (with subfunds)  
 Deka-Nachhaltigkeit Aktien  
 Deka-Nachhaltigkeit Balance  
 Deka-Nachhaltigkeit Renten  
 Deka-OptiMix Europa  
 Deka-OptiRent 1+y  
 Deka-OptiRent 2y  
 Deka-OptiRent 2y (II)  
 Deka-OptiRent 3y  
 Deka-OptiRent 3y (II)  
 Deka-OptiRent 5y  
 Deka-PB Werterhalt 2y  
 Deka-Renten: Euro 1-3 CF  
 Deka-Renten: Euro 3-7 CF  
 Deka-Treasury (with subfunds)  
 Deka-Treasury CreditStrategie  
 Deka-USA Aktien Spezial  
 Deka-Wandelanleihen  
 Deka-WorldGarant 1  
 Deka-WorldGarant 2  
 Deka-WorldGarant 3  
 Deka-WorldGarant 4  
 Deka-WorldTopGarant 1  
 Deka-WorldTopGarant 2  
 DekaLux-BioTech  
 DekaLux-Bond  
 DekaLux-Deutschland  
 DekaLux-Europa  
 DekaLux-GlobalResources  
 DekaLux-Japan  
 DekaLux-Japan Flex Hedged Euro  
 DekaLux-PharmaTech  
 DekaLux-USA  
 DekaLuxTeam-Aktien Asien  
 Deka-EM Bond  
 DekaLuxTeam-EmergingMarkets  
 Mix-Fonds: Optimierung  
 Renten 7-15

*Funds with a limited term*  
 Deka-ZielGarant (with subfunds)  
 Deka-ZielGarant 2014-2017  
 Deka-ZielGarant 2018-2021  
 Deka-ZielGarant 2022-2025  
 Deka-ZielGarant 2026-2029  
 Deka-ZielGarant 2030-2033  
 Deka-ZielGarant 2034-2037  
 Deka-ZielGarant 2038-2041  
 Deka-ZielGarant 2042-2045  
 Deka-ZielGarant 2046-2049  
 Deka-ZielGarant 2050-2053

*Only offered by special distribution partners*  
 Mix-Fonds Haspa: (with subfunds)  
 Mix-Fonds Haspa: Rendite  
 Mix-Fonds Haspa: Wachstum  
 Mix-Fonds Haspa: Chance  
 Mix-Fonds Haspa: ChancePlus

**2. Investment funds under Part II of the Luxembourg Law of 17 December 2010 on undertakings for collective investment**

Deka Private Banking Portfolio Strategie (with subfunds)  
 Deka Private Banking Portfolio Strategie 2  
 Deka Private Banking Portfolio Strategie 3  
 Deka Private Banking Portfolio Strategie 4  
 Deka Private Banking Portfolio Strategie 5  
 Deka-S Rendite 1/2008 (5-year roll-over)  
 Deka-Zinsbuch Plus  
 DekaLux-Geldmarkt: (with subfunds)  
 DekaLux-Geldmarkt: Euro  
 DekaLux-Geldmarkt: USD  
 DekaStruktur: (with subfunds)  
 DekaStruktur: ErtragPlus  
 DekaStruktur: Wachstum  
 DekaStruktur: Chance  
 DekaStruktur: 2 (with subfunds)  
 DekaStruktur: 2 ErtragPlus  
 DekaStruktur: 2 Wachstum  
 DekaStruktur: 2 Chance  
 DekaStruktur: 2 ChancePlus  
 DekaStruktur: 3 (with subfunds)  
 DekaStruktur: 3 ErtragPlus  
 DekaStruktur: 3 Wachstum

DekaStruktur: 3 Chance  
DekaStruktur: 3 ChancePlus  
DekaStruktur: 4 (with subfunds)  
DekaStruktur: 4 Ertrag  
DekaStruktur: 4 ErtragPlus  
DekaStruktur: 4 Wachstum  
DekaStruktur: 4 Chance  
DekaStruktur: 4 ChancePlus  
DekaStruktur: V (with subfunds)  
DekaStruktur: V Ertrag  
DekaStruktur: V ErtragPlus  
DekaStruktur: V Wachstum  
DekaStruktur: V Chance  
DekaStruktur: V ChancePlus

*Only offered by special distribution partners*

BerolinaCapital (with subfunds)  
BerolinaCapital Sicherheit  
BerolinaCapital Wachstum  
BerolinaCapital Chance  
BerolinaCapital Premium  
DekaLux-Mix: (with subfunds)  
DekaLux-Mix: E1  
DekaLux-Mix: E1+  
DekaLux-Mix: K1  
DekaLux-Mix: W1  
DekaLux-Mix: C1  
DekaLux-Mix: C1+  
DekaLux-Mix: E1+/A  
DekaLux-Mix: W1/A  
DekaLux-Mix: C1/A

Mix-Fonds: (with subfunds)  
Mix-Fonds: Balance Mix 20  
Mix-Fonds: Balance Mix 40  
Mix-Fonds: Balance Mix 70  
Mix-Fonds: Select Rendite  
Mix-Fonds: Select Wachstum  
Mix-Fonds: Select Chance  
Mix-Fonds: Select ChancePlus  
Mix-Fonds: Aktiv Rendite  
Mix-Fonds: Aktiv Wachstum  
Mix-Fonds: Aktiv Chance  
Mix-Fonds: Aktiv ChancePlus  
Mix-Fonds: Defensiv

The Management Company also manages funds subject to the Law of 13 February 2007.

## IV. Synopsis of German tax regulations

### General taxation framework

As a rule, the income of German and foreign funds is taxed at the level of the investor, while the fund itself is exempt from taxation. The tax treatment of income from fund units therefore follows the principle of transparency, with the investor generally being taxed as if they themselves had directly received the income earned by the fund (transparency principle). There are, however, a number of areas where fund investments deviate from this general principle. For example, certain income and gains are not recognised at the level of the investor until fund units are redeemed. Negative income earned by a fund is offset against positive income of the same type. Negative income not fully offset in this way may not be claimed by the investor, but must instead be carried forward at the level of the fund and offset against income of the same type in subsequent financial years.

Taxation of the investor is only triggered by distribution or reinvestment of income (current income) or the redemption of fund units. Such taxation is based in detail on the provisions of the German Investment Tax Act (InvStG) in combination with general tax law. The tax consequences of investing in a fund are essentially independent of whether the fund is German or foreign, which means that the discussion below applies equally to both. Any differences in taxation are noted at the appropriate location.

The discussion also applies to funds of funds, that is, funds that invest their capital predominantly, or in part, in other funds. There is nothing special that the investor must be aware of with funds of funds, since the Company provides the information required for taxation in the same form as for other funds.

Since 1 January 2009, investment income earned by private investors in Germany has been subject to a flat-rate withholding tax (Abgeltungsteuer) of 25 per cent as a special form of investment income tax. In addition to the flat-rate withholding tax, a solidarity

surcharge equal to 5.5 per cent of this tax must be withheld and paid. Every institution that is required to deduct the flat-rate withholding tax for natural persons has also been required to deduct church tax since 1 January 2015. This includes, in particular, banks, financial institutions and insurance companies. These institutions must automatically deduct church tax of 8 or 9 per cent of the flat-rate withholding tax, depending on the investor's religion or religious denomination, and pay this church tax to religious communities that collect taxes. For this purpose, the religious affiliation of the investor is retrieved from the German Federal Tax Office (Bundeszentralamt für Steuern) in the form of an encrypted code. The so-called church tax withholding code (Kirchensteuerabzugsmerkmal – KiStAM) provides information on membership in a tax-collecting religious community and the applicable church tax rate. Retrieval is performed once a year between 1 September and 31 October (referred to as standard retrieval). If an investor has previously objected to data disclosure by the German Federal Tax Office, or objects by 30 June of a year, the German Federal Tax Office blocks retrieval of the church tax withholding code. Such an objection applies until it is revoked. In such cases, tax offices ask church members to submit a tax return for collecting the church tax owing on the flat-rate withholding tax. In the case of spouses/partners with a shared securities account, half of the investment income is allocated to each of the spouses/partners and the church tax is then calculated based on the investment income and applicable religious community of each. The deductibility of church tax is already taken into account as a special expense to reduce withholding taxes at the time withholding tax is deducted. No further reference to the solidarity surcharge or church tax is made in applicable sections of the discussion below.

As a rule, the German flat-rate withholding tax satisfactorily discharges the tax liability for private investors. As a result, the private investor is not required to disclose in their income tax return income for which flat-rate

withholding tax has been paid. With few exceptions, the flat-rate withholding tax includes all income from investments, including regular investment income, such as interest and dividends, as well as realised price gains (gains on disposal, such as gains on the sale of shares or bonds).

Income such as interest and dividends is subject to the flat-rate withholding tax if the income accrues to the investor after 31 December 2008. Realised gains and losses are subject to the flat-rate withholding tax if the assets were acquired after 31 December 2008. This applies both to assets acquired by a fund and the gains or losses earned by the investor on the disposal of fund units. In the case of investment income not related to fund units, there are some transitional provisions that differ from those for fund units.

If the time that an asset was acquired cannot be determined unambiguously, the statutory method of deemed order of use is observed, under which the first security acquired is deemed to be the first sold. This applies both to the assets held by the fund as well as the fund units held by the investor, e.g. when the units are held in collective safekeeping.

### Taxation of current income from funds

#### Income types and utilisation of earnings

A fund may invest in different types of assets in accordance with its investment policy and contractual terms. Based on the transparency principle, the different types of income earned from these investments may not all be assigned to the same category, e.g. dividends, but must be recognised separately in accordance with the rules of German tax law. A fund could, for example, earn interest, income equivalent to interest, dividends and gains on the disposal of assets. Income is calculated according to the provisions of tax law, in particular, the German Investment Tax Act (InvStG), so that it generally differs from the amounts actually

distributed or the amounts shown as distributed and reinvested in the Annual Report. The tax treatment of income at the level of the investor depends on how the fund utilises its earnings, that is, whether the earnings are fully reinvested or fully or partially distributed. The Sales Prospectus or Annual Report of your fund shows how it utilises earnings. One must also differentiate between income attributable to private and business investors. Any distribution of capital as defined under tax law and reported by the Fund is not taxable for investors. For investors that prepare balance sheets, this means that distributions of capital are to be recognised as income in the accounts prepared for financial reporting purposes, but recognised as an expense in the tax accounts with an adjustment item formed on the liabilities side and used to reduce historical acquisition costs in a technically tax-neutral manner. Alternatively, the amortised cost could be reduced by the pro-rated amount of the capital distribution.

#### **Foreign withholding tax**

In some cases, withholding tax that is deducted from foreign income in the country of origin can be deducted as income-related expenses at the level of the fund. Alternatively, the Company can report foreign withholding taxes in its tax bases so that the investor can credit them against their personal tax liability or deduct them from their income. In some cases, an investor is able to credit withholding taxes against their personal tax liability even though the country where the fund invested does not actually deduct withholding tax (notional withholding tax). In such cases, the investor is only permitted to credit the reported notional withholding tax. Notional withholding tax may not be deducted from the investor's income.

#### **Publication of tax bases**

The Company publishes the tax bases applicable to the taxation of investors in the Federal Gazette (Bundesanzeiger), together with professional certification that the in-

formation disclosed was calculated in accordance with the rules of German tax law.

#### **Taxation of units held as personal assets**

The time at which an investor must recognise income earned by a fund for tax purposes depends on how the fund utilises its earnings. If earnings are reinvested, the investor must report distribution-equivalent income – i.e. certain earnings not used by the fund for distribution – for tax purposes in the calendar year in which the financial year of the fund ends. Since the investor must pay taxes on income that he actually does not receive, “deemed accrual” is the term used in this connection. As a rule, in the case of full distribution the investor is subject to tax on the distributed earnings, and in the case of a partial distribution he is subject to tax on both the distributed earnings and the distribution-equivalent income. In both cases, an investor subject to taxation in Germany must recognise this income for tax purposes in the year of accrual.

As a rule, both distributed earnings and distribution-equivalent income are fully taxable unless rules exist that explicitly exempt certain income from taxation. In the calculation of investment income, a savings allowance of EUR 801 (joint assessment: EUR 1,602) is deducted as income-related expenses for investors with unlimited tax liability in Germany. As a rule, the income-related expenses actually incurred by the investor (e.g. securities account fees) cannot be deducted. The investor is not subject to taxation on gains on the disposal of securities and from futures transactions until the gains are distributed or the fund units are redeemed.

#### **Taxation of units held as business assets**

A business investor with unlimited tax liability in Germany who calculates profits using the cash method of accounting must recognise distributed earnings and distribution-equivalent income for tax purposes at the

same time as a private investor. If profits are calculated using the accrual method of accounting, the investor must recognise distribution-equivalent income at the end of the financial year of the fund and distributed earnings at the time of accrual. The general statutory provisions relating to the preparation of tax balance sheets apply in this regard.

As a rule, distributed earnings and distribution-equivalent income are both fully taxable for the business investor unless rules exist that explicitly exempt certain income from taxation. For example, only 60 per cent of an investor's dividend income and distributed realised gains on disposals of units is subject to taxation (partial-income method). For investors subject to corporation tax, domestic and foreign dividend income received by the fund before 1 March 2013, for example, are 95 per cent tax exempt. According to new rules for the taxation of free float dividends, dividends received by the fund after 28 February 2013 are taxable for investors subject to corporation tax. As a rule, distributed realised gains on the disposal of shares is 95 per cent tax exempt. This is not the case for such income received from fund units, which financial institutions, in particular, allocate to their trading portfolios.

#### **Redemption of fund units**

The redemption of fund units is treated as a sale for tax purposes, that is, the investor realises a gain or loss on disposal.

#### **Taxation of units held as personal assets**

As a rule, gains and losses on the redemption of fund units are taxable as positive and negative investment income. As a rule, these gains and losses can be offset against other investment income. This does not apply, however, to losses brought forward or future losses on the disposal of shares, for which a separate loss offset account must be maintained.

Offsetting is also not permitted against losses on the redemption of fund units or disposal of other securities that are still covered by the old law that existed before the flat-rate withholding tax was introduced.

DTT profit consists of income and profit or loss that is tax exempt under a double taxation treaty between the source country and Germany and has not been distributed or reinvested. The DTT profit applicable to the holding period that is included in the gain or loss on disposal of fund units is tax exempt for private investors. The Company publishes the DTT profit as a percentage of the redemption price.

The interim profit deemed to be included in the redemption price is also subject to taxation. The interim profit is equal to the interest and income equivalent to interest that has accrued to the fund since the last distribution or reinvestment date and has not yet become taxable as a result of a distribution or reinvestment. The interim profit is calculated by the Company on each valuation date and published together with the redemption price. This information is also provided on the investor's contract note by custodians in Germany. As a rule, the interim profit paid at the time of purchase is included in an investor's negative investment income, which can be offset against other positive investment income. This requires that earnings equalisation be performed by the fund and that a note to this effect be included with the published interim profit and the professionally certified tax data. The interim profit received when fund units are redeemed is included in positive investment income. If interim profit is not published, 6 per cent of the proceeds received when fund units are redeemed or sold is to be reported each year as interim profit.

The law does not require hedge funds to calculate or publish interim profit. If the Company decides to do so, it can voluntarily calculate and publish the interim profit for hedge funds.

As a rule, German custodians calculate gains on disposals for investors. The gain or loss in this case is the sale price less acquisition costs and income-related expenses. In addition, interim profit must be deducted from both the acquisition costs and sale price. Distribution-equivalent income must also be deducted from the gain or loss on disposal calculated in this way in order to avoid double taxation.

#### **Taxation of units held as business assets**

As a rule, when fund units are redeemed, the taxable gain or loss on disposal is equal to the redemption price less acquisition costs. The interim profit received by a business investor represents part of the sales proceeds.

Stock-related profit includes dividends that are tax exempt for the investor, gains and losses on the disposal of shares, and increases and decreases in the value of shares that have not been distributed or reinvested. The Company publishes the stock-related profit as a percentage of the redemption price, so that the investor must calculate the absolute value of the stock-related profit both at the time of acquisition and redemption of the fund units by multiplying this percentage by the redemption price applicable at the time. The difference between the absolute stock-related profit at the time of redemption and acquisition therefore represents the portion of the stock-related profit applicable to the holding period, and tells the investor what portion of the increase or decrease in the value of his or her fund units is attributable to stocks. The stock-related profit for the holding period that is included in the gain or loss on disposal of fund units is 95 per cent tax exempt for investors subject to corporation tax and 40 per cent tax exempt for business investors subject to income tax. As a result of the statutory amendments mentioned above, two stock-related profit amounts have been published separately for investors subject to corporation tax and business investors subject to income tax since 1 March 2013.

DTT profit consists of income and profit or loss that is tax exempt under a double taxation treaty between the source country and Germany and has not been distributed or reinvested. The DTT profit applicable to the holding period that is included in the gain or loss on disposal of fund units is tax exempt for business investors. The Company publishes the DTT profit separately and in the same form as the stock-related profit.

Business investors must recognise the fund units at acquisition cost plus any applicable ancillary acquisition costs. The interim profit paid at the time of purchase represents part of the acquisition cost. If the fund reinvests earnings during the period the fund units are held, the distribution-equivalent income must be recognised off the balance sheet and an adjustment item formed on the asset side of the balance sheet. When the fund units are redeemed, they must be derecognised through profit or loss and the adjustment item reversed in order to avoid double taxation of the distribution-equivalent income. The stock-related profit for the holding period must also be accounted for off the balance sheet.

#### **German investment income tax**

German custodian institutions generally must withhold and pay investment income tax for investors. As a rule, the investment income tax definitively discharges the tax liability for private investors. However, the investor may choose to have and, in some cases, must have this income assessed. If the fund units are held as business assets, the income must be assessed. If a business investor's income from fund units is assessed for income tax or corporation tax, the investment income tax paid only represents a tax prepayment that does not provide a satisfactory discharge and can be credited against their personal tax liability. German custodians issue a tax certificate to the investor for this purpose that they must submit to the tax office for their tax assessment.

The tax rate for assessment of investment income is limited to 25 per cent for private investors (not including solidarity surcharge and any church tax). Voluntary assessment is particularly advisable for investors with no or very little taxable income.

German custodians will not withhold investment income tax if a non-assessment certificate or valid exemption application has been submitted. If an investor provides proof of non-residency for tax purposes, investment income tax is only deducted for German dividend income.

German custodians must maintain a loss offset account for an investor subject to taxation, and automatically carry this account forward to following years. Losses from the sale of shares can only be offset against gains from the sale of shares. Gains on the redemption of fund units are not considered gains on shares under tax law.

Investment income tax is only withheld to the extent that positive income exceeds negative income (brought forward) and the amount of any exemption applications. Investors subject to unlimited taxation in Germany may provide their banks with exemption applications, the total amount of which may be up to a maximum of EUR 801 (joint assessment: EUR 1,602).

Exemption applications, non-assessment certificates and proof of non-residency for tax purposes must be provided to the custodian in timely fashion. Timely fashion means before the end of the fund's financial year in the case of reinvestment, before the distribution in the case of distributing funds, and before the redemption when fund units are redeemed.

If the fund units are not held in a German securities account and coupons are submitted to a German payment agent, exemption applications and non-assessment certificates cannot be taken into account.

Foreign investors who do not provide timely proof of non-residency can generally apply

for a refund of the withholding tax under the German Tax Code (Abgabenordnung – AO) (§ 37 paragraph 2 AO). The competent tax office is the one having jurisdiction over the institution maintaining the securities account. The withholding tax can only be refunded under an applicable double taxation treaty between Germany and their country of residence. Refunds are provided by the German Federal Tax Office (Bundeszentralamt für Steuern).

As a rule, the tax deducted is reduced to account for any foreign withholding tax paid or creditable notional withholding tax reported by the fund. In exceptional cases where reported creditable withholding tax cannot be used to reduce the tax deducted, a withholding tax account is used to carry the unused withholding tax forward.

#### **German funds**

German custodian institutions must, as a rule, withhold and pay investment income tax both when distributing and reinvesting earnings.

In addition, a German custodian must withhold investment income tax on the interim profit when fund units that it holds are redeemed. When fund units purchased after 31 December 2008 are redeemed, investment income tax is also withheld for the gains on disposal of the fund units.

#### **Foreign funds**

Foreign companies do not withhold and pay investment income tax to the German tax office. However, German custodians do withhold investment income tax on distributed earnings for funds that fully or partially distribute earnings.

If fund units are redeemed at a German custodian, the bank must also withhold and pay investment income tax on the interim profit. When fund units purchased after 31 December 2008 are redeemed, investment income tax is also withheld for the gains on disposal of the fund units.

A German custodian must also withhold and pay investment income tax on the total income deemed to have accrued to the investor after 31 December 1993 that has not yet been subject to German investment income tax. If fund units have been held at one and the same German custodian without interruption since being acquired, the tax base for investment income tax consists only of the portion of the distribution-equivalent income accumulated during the holding period. The accumulated distribution-equivalent income is calculated by the Company and published on each valuation date together with the redemption price.

#### **EU Savings Tax Directive (German Interest Information Regulation)**

The Council of the European Union enacted the directive repealing the EU Savings Tax Directive (Directive 2003/48/EC) on 10 November 2015. With the exception of Austria, the EU Savings Tax Directive has therefore been repealed since 1 January 2016. The repeal is, however, subject to the continued applicability of certain administrative requirements, such as reporting and exchanging information related to withholding taxes, and deducting withholding taxes from payments before 1 January 2016. Repeal will take place in Austria by 1 January 2017 at the latest. Under certain conditions, repeal could even take place as early as 1 October 2016. Transitional provisions for situations with overlapping scopes prevent simultaneous application. As a result, this means that full tax transparency will exist in the EU by 2018 at the latest, and the EU withholding tax will become obsolete at that time.

Before repeal of the EU Savings Tax Directive, all member states were required to provide information to the competent authorities in other member states on interest and similar payments that were made from the member state providing the information to a person resident in another member state. Some states, however, were given the right to levy a withholding tax of 35% instead during a transitional period. Only



Austria was still making use of this right in the end.

### **Main features of the automatic exchange of tax information (Common Reporting Standard, CRS)**

On 21 July 2014, the Organisation for Economic Cooperation and Development (OECD) presented a global standard for the automatic exchange of account information for tax matters. The standard provides for the automatic international exchange of information between national financial authorities and consists of a model agreement, the Common Reporting Standard (CRS), and a model commentary. The CRS defines reporting financial institutions, and reportable accounts and information. At the end of October 2014, 51 states signed the model agreement to automatically exchange information. More than 90 states and territories have now agreed to work together to ensure effective taxation by exchanging financial account information. CRS begins, as a rule, with the 2016 reporting period, although some CRS participating jurisdictions do not begin to participate until the 2017 reporting year. Germany has committed to exchanging financial account information from 2016 with OECD partner countries for the first time in September 2017.

Since 1 January 2016, German financial institutions are required to identify all account holders subject to foreign taxes. Their securities accounts and income must be reported to the German financial authorities (Bundeszentralamt für Steuern – BZSt), which forwards the data to the participating countries concerned. Only reporting requirements are provided for, no tax withholding requirements. The provisions concerning the flat-rate withholding tax (*Abgeltungssteuer*) remain unchanged by the exchange of tax information.

### **Legal notice**

This tax information is intended to provide an overview of the tax consequences of fund investments. It cannot take into ac-

count all of the tax issues that could arise in connection with the particular situation of an individual investor. We recommend that interested investors consult a tax advisor with respect to the tax consequences of the fund investment.

The tax information is based on the current legal situation. No guarantee is provided that this assessment of tax law will not change due to changes in legislation, court rulings or orders issued by the revenue authorities. Such changes can also be introduced retroactively and adversely affect the tax consequences described above.

### **Changes due to the German Accounting Law Modernisation Act (BilMoG): Special notes disclosures for funds (§ 285 no. 26 HGB; § 314 paragraph 1 no. 18 HGB)**

The BilMoG requires investors that are obligated under the German Commercial Code (HGB) to include notes with their annual financial statements and that hold more than 10 per cent of the capital of domestic and foreign institutional and mutual funds to make supplementary disclosures on the funds in the notes.

The BilMoG generally applies to financial years that begin after 31 December 2009. The BilMoG requires the following additional disclosures in the notes to the annual financial statements (§ 285 no. 26 HGB) and notes to the consolidated financial statements (§ 314 paragraph 1 no. 18 HGB):

- Classification of the fund according to investment objectives, e.g. equity fund, bond fund, real estate fund, mixed fund, hedge fund or other fund
- Market value / unit value in accordance with §§ 168, 278 KAGB or § 36 InvG in the version applicable until 21 July 2013
- Difference between market value and book value

■ (Earnings) distributions for the financial year

■ Restrictions on the right of daily redemption

■ Reasons for not performing write-downs in accordance with § 253 paragraph 3 sentence 4 HGB

■ Indications of impairment that is expected to be temporary

Please consult with your auditor for additional information, or information specific to your particular situation.





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