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GOTTEX SICAV

Société d'investissement à capital variable

PROSPECTUS

July 2013

Distribution of this Prospectus is not authorised unless it is accompanied, insofar as available, by a copy of the latest available annual report of GOTTEX SICAV containing the audited balance-sheet and a copy of the latest semi-annual report, if published after such annual report. The Prospectus and the respective annual and semi-annual reports may be obtained free of charge from the registered office of the Fund, all paying agents and sales agencies. It is prohibited to disclose information on the Fund, which is not contained in this Prospectus, the documents mentioned therein, the latest annual report and any subsequent semi-annual report. The English version of this Prospectus is binding.

GOTTEX SICAV

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INTRODUCTION

GOTTEX SICAV (the "Fund") is a company organised as a *société d'investissement à capital variable* ("SICAV") and is registered under Part I of the Luxembourg law of 17th December 2010 on collective investment undertakings, as amended (the "Law"). This registration pursuant to the Law does not require any Luxembourg authority to approve or disapprove either the adequacy of this Prospectus or the portfolio of securities held by the Fund. Any representation to the contrary is unauthorised and unlawful.

This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not allowed. It is the responsibility of any person in possession of the Prospectus and of any person wishing to apply for shares to inform himself or herself of and to observe all applicable laws and regulations of relevant jurisdictions. Marketing of the Fund is authorised in Luxembourg, where its shares may be offered and sold. The Fund may be registered in selected distribution countries. Investors should check whether there are any legal, regulatory and foreign exchange restrictions on subscribing for, purchasing or possessing shares of the Fund.

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

Subject as provided above, this Prospectus may not be delivered to any unqualified "U.S. Persons" or to people who may not have the legal capacity to receive it or who may not be solicited by law (the "unauthorised persons").

The board of directors of the Fund (the "Board of Directors") has the authority to compulsorily redeem the shares bought or held by an unauthorised person, including by investors who would have become unauthorised person after the acquisition of the shares.

Investors shall notify the Fund and/or the Administrative Agent (i) if they become unauthorised persons or (ii) if they hold shares in the Fund in breach of the applicable laws and regulations, this Prospectus or the articles of association, or (iii) in any circumstances which may affect the taxation of and/or have legal and/or regulatory consequences for the Fund or the shareholders or which may otherwise have a negative impact on the Fund or other shareholders.

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

Any reference to "CHF" or "SF" in this Prospectus refers to the official currency of Switzerland.

Any reference to "EUR" or "€" in this Prospectus refers to the official currency of the European Monetary Union.

Any reference to "GBP" or "£" in this Prospectus refers to the official currency of the United Kingdom.

Any reference to "USD" or "US \$" in this Prospectus refers to the official currency of the United States of America.

Unless otherwise specified, any reference to "Business Day" in this Prospectus refers to any day on which banks are open for business in Luxembourg.

This Prospectus is subject to changes concerning the addition or termination of Subfunds as well as other modifications. Subscribers should therefore request the most recent issue of the Prospectus.

Subscription forms may be obtained from the Administrative Agent on request.

Data protection

Certain personal data of investors (including, but not limited to, the name, address and committed/invested amount of each investor) may be collected, recorded, stored, adapted, transferred or otherwise processed and used by the Fund, the Custodian, the Administrative Agent and any other person who provides services to the Fund from time to time and the financial intermediaries of such Investors. In particular, such data may be processed for the purposes of account and distribution fee administration, anti-money laundering and terrorism financing identification, maintaining the register of investors, processing subscription, redemption and conversion applications (if any) and payments of dividends to investors and to provide client-related services. Such information shall not be passed on to any unauthorised third persons.

The Fund may sub-contract to another entity (the "Processor") (such as the Administrative Agent) the processing of personal data. More specifically, Investors must be aware that the personal data will be disclosed to Citco Fund Services (Luxembourg) S.A. and any other member of the Citco Group and other parties which intervene in the process of the business relationship (e.g., external processing centres, dispatch or payment agents), including companies based in countries where data protection laws might not exist or be of a lower standard than in the European Union or (ii) when required by law or regulation (Luxembourg or otherwise). Such disclosure of personal data to Citco Fund Services (Luxembourg) S.A. and any other company within the Citco Group will allow the investor access *inter alia* to information regarding such investor's shareholding in the Fund through a secure web-enabled Citco Group information system. Investors must also be aware that telephone conversations with the Fund, the Custodian and the Administrative Agent may be recorded. Recordings will be conducted in compliance with applicable laws and regulations. Recordings may be produced in court or other legal proceedings with the same value in evidence as a written document.

Each investor has a right of access to his/her/its personal data and may ask for a rectification thereof in case where such data is inaccurate or incomplete.

By subscribing to the shares, each investor consents to such processing of its personal data.

Complaints handling

Information on the procedures in place for the handling of complaints by prospective investors and/or Shareholders is available, upon request, from the registered office of the SICAV.

Potential subscribers should note that the structure of the Prospectus is made up of Section I which contains the provisions which are specific to each available Subfund and of Section II which contains general provisions applicable to all Subfunds and the Fund as a whole.

SECTION I: DESCRIPTION OF THE AVAILABLE SUBFUNDS

- List of available Subfunds

GOTTEX SICAV – RPH Global Government Real Return Fund

GOTTEX SICAV – Smith Breeden Fixed Income Credit Relative Value Fund

- Unless otherwise indicated in the descriptions below, each Subfund of GOTTEX SICAV is subject to the general provisions as set out in Section II of this Prospectus.

GOTTEX SICAV – RPH Global Government Real Return Fund

This specific section describes the particulars of the Subfund GOTTEX SICAV – RPH Global Government Real Return Fund (the "Subfund").

This section is an integral part of the Prospectus and therefore, all information given herein should be considered in conjunction with the information provided in the other sections of this Prospectus.

Investor Profile

The Subfund may only be suitable for investors with a long term investment horizon who consider investments in the Subfund as a convenient way of accessing the performance (positive or negative) of fixed income investments. Investors must be able and willing to accept and bear the risks associated with an exposure to fixed income investments, with an emphasis on global sovereign fixed income, and the potential net asset value variations and losses on their investment, which may be substantial. A fall in value of the Subfund's shares is possible at any time and investors should be able to bear the loss of their entire investment. An investment should only be made in the Subfund as part of a diversified portfolio of investments.

Investment Objective

The investment objective of the Subfund is to seek to provide long-term growth through capital appreciation by investing primarily in sovereign fixed income securities of global industrial, emerging and developed countries (sovereign fixed income with a BB+ or higher rating by S&P Sovereign Rating), and exchange traded and over-the-counter derivatives. In seeking to achieve the Subfund's investment objective, the Sub-Investment Manager will employ a global macro/fixed income investment strategy. The Sub-Investment Manager will also attempt to maximize the Subfund's returns and protect capital. The realisation of the Subfund's investment objective is not guaranteed. The net asset value of the Subfund may therefore decrease and investors may lose their entire investment in the Subfund.

Investment Policy

In seeking to achieve the Subfund's investment objective, the Sub-Investment Manager will employ a global macro/fixed income investment strategy by investing only in sovereign fixed income securities (i.e. no corporate securities), the derivatives described below and cash instruments. The Sub-Investment Manager will attempt to achieve the Subfund's returns and protect capital. The Subfund will invest in sovereign bonds of the following countries:

Australia	Hong Kong	Poland
Austria	India	Russia
Belgium	Indonesia	Singapore
Brazil	Israel	South Africa
Canada	Italy	South Korea
Chile	Japan	Spain
China	Luxembourg	Sweden
Columbia	Malaysia	Switzerland
Croatia	Mexico	Taiwan
Czech Republic	Netherlands	Thailand
Denmark	New Zealand	Turkey
Finland	Philippines	United Kingdom
France	Norway	United States
Germany	Peru	

The Subfund may make use of repurchase, reverse repurchase and dollar roll arrangements.

GLOBAL MACRO/FIXED INCOME INVESTMENT STRATEGY

The global macro/ fixed income investment strategy involves carrying long positions and/or short positions using cash-settled derivative instruments in sovereign fixed income securities of global industrial, emerging and developed countries. The Sub-Investment Manager (as defined below) will use a top-down approach in allocating investments to reflect the Sub-Investment Manager's view on overall fixed income market direction across countries as influenced by major economic trends and/or events. The Sub-Investment Manager intends to seek out opportunities in government/sovereign fixed income securities across countries to exploit converging and diverging real interest rates and real yield differential changes across countries. The Sub-Investment Manager intends to implement the strategy by monitoring and analyzing various country attributes including trends in economic growth, national budget balances, monetary policy making, inflationary trends, political risks, other fundamental economic data, money market yield curves, government bond yield curves, real yield relationships between all other countries, foreign exchange developments and other fundamental and technical information and data associated with each country's economy, government bond market and equity markets.

DERIVATIVES INVESTMENT STRATEGY

The Sub-Investment Manager may purchase and sell options, swaps, futures, forward foreign exchange contracts and options on forward foreign exchange contracts, to manage foreign exchange risks and interest rate risks as part of its portfolio management process. In addition, these derivatives may be used to add value for investment purposes to the core government/sovereign fixed income portfolio positions, and for non-fixed foreign exchange currencies.

Leverage

The Subfund may employ a variety of leveraging techniques. These financing techniques generally permit the Subfund to establish a gross asset position larger than Net Assets. Please refer to "Method for Measuring Global Exposure of Subfund – Leverage" for a further explanation of leverage the Subfund may employ.

Risk Considerations:

Lack Of Operating History; Past Performance Is No Indication Of Future Performance.

The Subfund is newly formed, and there can be no assurance that the Subfund will achieve its investment objective. The past performance of the Investment Manager and any Sub-Investment Manager cannot be construed as an indication of the future results of an investment in the Subfund.

Basis Risk. Basis risk is the risk that changes in the value of a hedge instrument will not completely offset changes in the value of the assets and liabilities being hedged. Basis risk may occur in many ways. For example, a hedge transaction may rise in value by \$100 in response to higher interest rates. At the same time, the security being hedged could decline in value by \$102 in response to the same market factor — higher interest rates — and other factors unique to those assets including credit risks that might be reflected in the assets' value. As a result, the hedge would not fully cover the loss in value of the security caused by higher rates since a \$2 differential would exist between the gain in value on the hedge and the assets' loss in value. The \$2 differential reflects basis risk. Basis risk can manifest itself in other ways; when a small change in interest rates occurs, for example, both the hedge transaction and the hedged assets could decline in value, although by different amounts.

Credit Risk. An issuer of securities may be unable to pay principal and interest when due, or the value of the security may suffer because investors believe the issuer is less able to pay. Lower rated securities, while usually offering higher yields, generally have more risk and volatility because of reduced creditworthiness and greater chance of default.

Interest Rate and Maturity Risk. The market prices of the Subfund's fixed-income investments may decline due to an increase in market interest rates. Generally, the longer the maturity or duration of a fixed-income investment, the more sensitive it is to changes in interest rates. The Subfund's hedging positions are not designed to generate profits that in every situation will fully offset the losses on the positions that would occur from changes in interest rates. The Subfund's hedging positions will be designed only to minimize the Subfund's interest rate exposure within the Subfund's duration parameter established by the Sub-Investment Manager. Sufficiently large and sudden movements in interest rates could result in substantial losses. In the current interest-rate environment, the profitability of certain fixed income strategies may be materially diminished

Liquidity. Liquidity risk exists when particular investments are difficult to sell. The ability of the Subfund to meet redemption applications will depend on numerous factors including the ability of the Subfund to timely liquidate its investments, some of which may be thinly traded. Investments in derivatives, and securities having small market capitalization, substantial market and/or credit risk tend to involve greater liquidity risk. In addition to, and separate from any general weakening of the financial markets, the Subfund will always bear the risk that the market for certain securities and financial instruments could become illiquid.

Asset Allocation. While the Sub-Investment Manager intends to allocate the Subfund's assets among a number of asset classes, there are no fixed allotments. Although the Subfund seeks a diversified portfolio of investments, there is a risk that one of the investments may have a disproportionate share of the Subfund's assets.

Foreign Currency; Currency Hedging. The reference currency of the Subfund is EUR, although the share classes of the Subfund are denominated in EUR, USD, CHF and GBP. An investor who generally holds its assets in one or more currencies other than the currency in which the shares it holds are denominated should consider that the currency exchange rate(s) between the applicable shares' currency and the investor's currency or currencies may fluctuate in an unfavourable manner. In addition, the Subfund may make investments that are denominated in one or more currencies other than EUR. The Subfund reserves the right to enter into currency hedging transactions on behalf of the non-EUR share classes and in connection with any non-EUR investments, in each case to seek to mitigate such currency fluctuations, but there can be no assurance such transactions will be entered into or, if they are entered into, that they will be successful. Further, any such currency hedging transactions that are entered into by the Subfund may be terminated at any time by the Subfund if such termination is deemed by the Sub-Investment Manager in its judgment to be in the best interests of the Subfund. Any income or loss attributable to any currency conversions and/or hedging activity for any share class of the Subfund will be allocated to such share class. It is intended that the costs and expenses incurred as a result of, and any income or loss attributable to, any currency conversions and/or hedging activities related to a particular investor, shall be borne by (in the case of costs and expenses) and allocated to (in the case of income or loss) such investor, including, without limitation, costs and expenses incurred, and income or loss generated, after a redemption by such investor and prior to the payment of all related redemption proceeds. The success of any hedging arrangements entered into by the Subfund is subject to the ability of the Sub-Investment Manager to correctly hedge against movements in the direction of currency rates and the Subfund's ability to meet any currency hedging transaction collateral posting and settlement requirements. Therefore, while the Subfund may enter into such transactions to seek to reduce currency exchange rate risks, unanticipated changes in currency rates may result in a poorer overall performance for certain share classes than if the Subfund had not engaged in any such hedging transactions. Efforts to meet collateral posting and settlement requirements arising under any such currency hedging transactions (and any failure to meet these requirements) may affect the Subfund generally and other share classes. A lack of available liquidity may also cause the Subfund to limit the scope of any currency hedging program or terminate it altogether. Volatility in the foreign currency markets may have a negative impact on the liquidity and/or performance of the Subfund.

Hedging Transactions. The Subfund may implement a hedge overlay program for risk management purposes (i.e., offsetting the exposure in the Subfund's portfolio). Any hedge overlay program implemented by the Subfund would involve net long positions (but not net short positions) of put or call options or other derivative-type instruments that are otherwise consistent with the requirements of Directive 2009/65/EC. With regard to option instruments, the Subfund may buy or sell (write) both call options and put options (either exchange-traded, over-the counter or issued in private transactions), but it will not sell (write) any "naked" options. Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument on which they are purchased or sold. A put option gives the purchaser of the option the right to sell, and the seller the obligation to buy, the underlying security, commodity, index, currency, interest rate or other instrument at the exercise price. A call option gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price. In the event that the Subfund buys a call option, a decrease (or inadequate increase) in the price, and/or a decrease in the volatility, of the underlying instrument could result in a total loss of the Subfund's investment in the option (including the cost or premium paid), and in the event that the Subfund buys a put option, an increase (or inadequate decrease) in the price, and/or a decrease in the volatility, of the underlying instrument could result in a total loss of the Subfund's investment in the option (including the cost or premium paid). It remains possible that the Subfund may underhedge, overhedge, or not hedge certain positions.

Borrowings/Leverage. The Subfund may employ various forms of leverage, using such instruments as forwards, futures, options and other derivative contracts. While leverage presents opportunities for increasing total return, it also increases the risk of potential losses. This is because leverage tends to exaggerate the effect of any increase or decrease in the value of the Subfund's holdings. The use of leverage may

also cause the Subfund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations. The Subfund may take on leveraging risk by using reverse repurchase agreements, dollar rolls and other borrowings, by investing collateral from loans of portfolio securities, through the use of when-issued, delayed-delivery or forward transactions, using derivatives and other methods.

General Risks Relating to Investments in Derivatives. The Subfund may use derivative instruments, including contracts for differences, futures and options. The values of these instruments are volatile, market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against positions held, thereby causing substantial losses. These instruments may not be traded on exchanges but rather through an informal network of banks and dealers. These banks and dealers have no obligation to make markets in these instruments and may apply essentially discretionary margin and credit requirements forcing the close out of positions. In addition, such instruments carry the additional risk of failure to perform by the counterparty to the transaction.

Risks Relating to Investments in Over-The-Counter and Synthetic Derivatives. Some of the markets in which investments in the Subfund are affected are "over-the-counter" or "inter-dealer" markets. The participants in these markets are subject to limited credit evaluation and regulatory oversight as are members of "exchange based" markets. Over-the-counter derivative transactions entail a credit risk of settlement default with regard to the counterparty. These risks may differ materially from those involved in exchange-traded transactions which are generally characterised by clearing organisation guarantees, daily marking-to-market and settlement and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from these protections, which in turn may be subject to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract or because of a credit or liquidity problem. Such "counterparty risk" is increased for contracts with longer maturities when events may intervene to prevent settlement. The inability to transact business with any one or any number of counterparties, the lack of any independent evaluation of the counterparties or their financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses.

Swap Transactions. The Subfund may periodically enter into transactions in the forward or other markets that could be characterized as swap transactions and which may involve interest rates, fixed-income and other securities, currencies and other items. A swap transaction generally is an individually negotiated, non-standardized agreement between two parties to exchange cash flows based on different interest rates, exchange rates, or prices, with payments calculated by reference to a principal ("notional") amount or quantity. Transactions in these markets present certain risks similar to those in the futures, forward and options markets, including:

- (i) there generally are no limitations on daily price moves in swap transactions;
- (ii) participants in the swaps markets are not required to make continuous markets in swaps contracts;
- (iii) performance with respect to a swap contract that is not cleared is the responsibility only of the counterparty with which the trader has entered into a contract (or its guarantor, if any), and not of any exchange or clearing corporation. As a result, the Subfund is subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the counterparties with which the Subfund trades; and
- (iv) CDS with the "pay as you go" feature may require reimbursement by the buyer of credit protection payments by the seller to be made for up to a year after the swap terminates and also the seller may have to make multiple credit protection payments to the extent the reference obligation is not fully performing.

Historically, swaps were subject to little regulation; however, the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which was passed in 2010, includes provisions that require increased regulation of derivatives markets. The Dodd-Frank Act has introduced mandatory execution and clearing of certain swaps, as well as new recordkeeping and reporting requirements. In addition, the Dodd-Frank Act established position limits for certain swaps. This increased regulation may increase the costs of entering into certain transactions. As key provisions of the Dodd-Frank Act require rulemaking by the U.S. Securities and Exchange Commission (the "SEC") and the U.S. Commodity Futures Trading Commission (the "CFTC"), not all of which has been finalized as of the date of this Prospectus, investors should expect future changes in the regulatory environment for derivatives.

Fixed Income Securities. The Subfund will invest in bonds and other fixed income securities. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the Subfund invests will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e. credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e. market risk). If fixed income investments are not held to maturity, the Subfund may suffer a loss at the time of sale of such securities.

Sovereign Debt. Sovereign debt are debt obligations issued or guaranteed by governments or government-related entities. Investment in sovereign debts issued or guaranteed by governments or their agencies and instrumentalities ("governmental entities") involves a high degree of risk. The governmental entity that controls the repayment of the sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt due to specific factors, including, but not limited to (i) their foreign reserves, (ii) the available amount of their foreign exchange as at the date of repayment, (iii) their failure to implement political reforms, and (iv) their policy relating to the international monetary fund. Sovereign debt holders may also be affected by additional constraints relating to sovereign issuers which may include: (i) the unilateral rescheduling of such debt by the issuer and (ii) the limited legal recourses available against the issuer (in case of failure of delay in repayment). The value of debt securities may change significantly depending on economic and interest rate conditions as well as the credit worthiness of the issuer. Issuers of debt securities may fail to meet payment obligations or the credit rating of debt securities may be downgraded.

Futures Interest Trading Is Volatile, Highly Leveraged and May Be Illiquid. Futures and forward contract prices, and the prices of the related contracts in which the Subfund may trade, are highly volatile. Such prices are influenced by, among other things: changing supply and demand relationships; government trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific intention of influencing such prices. The effect of such intervention is often heightened by a group of governments acting in concert. For example, it is possible that an exchange or the CFTC may suspend trading in a particular futures contract, order immediate liquidation and settlement of a particular futures contract, or order that trading in a particular contract be conducted for liquidation only. Similarly, trading in options on a particular futures contract may become restricted if trading in the underlying futures contract has become restricted.

Although numerous other factors have significant influence on the markets in which the Subfund trades, these markets are, in general, interest-rate sensitive.

Furthermore, the low margin deposits normally required in futures contract trading permit an extremely high degree of leverage. As an added risk in these volatile and highly leveraged markets, it is not always possible to liquidate futures positions to prevent further losses or recognize unrealized gains. Illiquidity can arise due to daily price limits taking effect or market disruptions. The inability to liquidate futures positions creates the possibility of the Subfund being unable to control its losses.

Forward Trading. The Sub-Investment Manager engages in trading forward contracts on behalf of the Subfund. A forward contract is a contract to purchase securities for a fixed price at a future date beyond customary settlement time. Prior to settlement, the Subfund's investment exposure from such transactions is similar to that of an equivalent investment funded with short-term borrowings. Such forward positions which produce economic leverage may increase overall investment exposure and involve a risk of loss if the value of the securities declines prior to the settlement date. Forward contracts are not traded on exchanges; rather, banks and dealers act as principals in these markets. Accordingly, the Subfund is subject to the risk of the inability or refusal to perform with respect to such contracts on the part of such counterparties. Further, there is no limitation on the daily price movements of forward contracts. Principals in the forward markets have no obligation to continue to make markets in the forward contracts traded. The imposition of credit controls by governmental authorities might limit such forward trading to less than that which the Sub-Investment Manager would otherwise recommend, to the possible detriment of the Subfund.

Emerging Market Securities Involve Substantial Risks. The Subfund may invest in securities issued by governments in developing countries or in countries with new or developing capital markets ("Emerging Markets"). The economies of many Emerging Markets countries are in the early stages of modern development, and are subject to abrupt and unexpected change. In many cases, these governments retain a high degree of direct control over the economy and may take actions having sudden and widespread effects. The value of the Subfund's investments may be adversely affected by political developments in the country of

issuance. Risks of investing in Emerging Markets may include (i) lack of liquidity and price volatility, (ii) expropriation, nationalization and confiscatory taxation actions, (iii) political, social and financial instabilities, and (iv) fluctuations in the exchange rate between the U.S. dollar and the currencies in the Emerging Markets.

Emerging Markets may have considerable debt, which adversely affects their economies with a corresponding impact on the performance of their markets. Emerging Markets countries tend to have periods of high inflation and high interest rates as well as substantial volatility in interest rates.

The Emerging Markets securities invested in by the Subfund may lack a liquid trading market, which may result in the inability of the Subfund to sell such security or to close out a transaction, thereby forcing the Subfund to incur losses.

Accounting, auditing and financial reporting standards in Emerging Markets are generally not equivalent to those applicable in more developed countries. Obligations on companies in Emerging Markets to publish financial information may also be limited.

Securities Markets in Emerging Market Countries. The Subfund may purchase and sell securities through exchanges and markets located in Emerging Markets. Such exchanges and their member firms might not be subject to a significant level of regulation. Clearing and settlement procedures on exchanges located in Emerging Markets may be significantly different from the procedures applicable in more developed markets, and it is possible that such procedures may delay settling transactions. Such delays may cause the Subfund to miss profit opportunities or to incur losses. Costs for transactions in Emerging Markets may be generally higher than comparable costs in developed markets.

Emerging Market Government Issued Debt. The Subfund may invest in debt issued or guaranteed by governments in Emerging Markets. Investment in such debt may involve a high degree of risk. The government that controls the repayment of the debt may be unable or unwilling to repay the principal and/or interest when due in accordance with the terms of such debt. A government's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the relative size of the debt service burden to the economy as a whole, and the political constraints to which such government may be subject. An Emerging Market government may be dependent on financing from other foreign governments, agencies, organizations or lenders. The commitment on the part of these other parties to finance the Emerging Market government may be conditioned on the government's implementation of economic reforms and/or economic performance and the timely servicing of the government's obligations. Failure by the Emerging Market government to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of the third parties' commitments to lend funds to the government, which may further impair such government's ability or willingness to timely service its own debts. In the event of a default by an Emerging Market government, there may be few or no effective legal remedies for collecting on such debt.

Investment Grade Debt Securities. Investment grade debt securities are investment grade rated obligations that have credit ratings that are intended to reflect (but will not necessarily reflect) relatively less credit risk than high yield debt securities or mezzanine debt securities. Risks of investment grade debt securities may include (among others): (i) marketplace volatility resulting from changes in prevailing interest rates, (ii) the absence, in many instances, of collateral security, and (iii) the declining creditworthiness and the greater potential for insolvency of the issuer of such investment grade debt securities during periods of rising credit spreads and/or interest rates and/or economic downturn.

Repurchase Agreements. A repurchase agreement is a contract under which the Subfund acquires a security for a relatively short period (usually not more than one week) subject to the obligation of the seller to repurchase and the Subfund to resell such security at a fixed time and price (representing the Subfund's cost plus interest). It is the Subfund's present intention to enter into repurchase agreements only with commercial banks and registered broker-dealers and only if the securities can be rehypothecated by the Subfund. The Sub-Investment Manager will monitor such transactions to determine that the value of the underlying securities is at least equal at all times to the total amount of the repurchase obligation, including the interest factor. If the seller defaults, the Subfund could realize a loss on the sale of the underlying security to the extent that the proceeds of sale including accrued interest are less than the resale price provided in the agreement including interest. In addition, if the seller should be involved in bankruptcy or insolvency proceedings, the Subfund may incur delay and costs in selling the underlying security or may suffer a loss of principal and interest if the Subfund is treated as an unsecured creditor and required to return the underlying collateral to the seller's estate.

Reverse Repurchase Agreements and Dollar Roll Agreements. The Subfund may enter into reverse repurchase agreements and dollar roll agreements with commercial banks and registered broker-dealers to seek to enhance returns. Reverse repurchase agreements involve sales by the Subfund of portfolio assets concurrently with an agreement by the Subfund to repurchase the same assets at a later date at a fixed price. Until the assets are repurchased by the Subfund, the Subfund continues to receive any principal and interest payments on the assets and may have the opportunity to earn a return on the collateral (if any) furnished by the counterparty to secure its obligation to redeliver the assets to the Subfund.

Futures Contracts. A financial futures contract is similar to a forward contract with respect to a specified financial instrument or index but it is always exchange traded. Under a financial futures contract, one party (the "seller") agrees to sell, and a second party (the "buyer") agrees to purchase, a particular instrument or the basket of instruments that comprises a particular index on a specified date in the future. A futures contract is standardized and normally settled in cash. If the Subfund wants to decrease the market value sensitivity of its portfolio, it might sell financial futures contracts. Conversely, if the objective were to increase market value sensitivity, the Subfund might buy financial futures contracts.

The value of a futures contract tends to increase and decrease in tandem with the value of its underlying instrument or index. Therefore, purchasing futures contracts will tend to increase the Subfund's exposure to positive and negative price fluctuations in the underlying instrument or index, much as if it had invested in the underlying instrument or index directly. When the Subfund sells a futures contract, by contrast, the value of its futures position will tend to move in a direction contrary to the underlying instrument or index. Selling futures contracts, therefore, will tend to offset both positive and negative market price changes, much as if the underlying instrument or index had been sold.

U.S. Government Securities. Securities issued by the United States government and its agencies are subject to market and interest rate risk, and may be subject to varying degrees of credit risk. While U.S. Treasury obligations are backed by the full faith and credit of the U.S. Government, securities issued by U.S. Government agencies or government-sponsored entities may not be backed by the full faith and credit of the U.S. Government.

Futures Margin Payments. The purchaser or seller of a futures contract is not required to deliver or pay for the underlying instrument unless the contract is held until delivery date, and it is not cash settled. However, when the contract is entered into, a purchaser or seller is required to deposit "initial margin" with a futures broker, known as a futures commission merchant ("FCM"). Initial margin deposits are typically a percentage of the contract's value. If the value of the purchaser's or seller's position declines, that party will be required to make additional "variation margin" payments to settle the change in value on a daily basis. A party that has a gain may be entitled to receive all or a portion of this amount. Initial and variation margin payments do not constitute purchasing securities on margin. In the event of the bankruptcy of an FCM that holds margin on behalf of the Subfund, the Subfund may be entitled to return of the margin owed to it only in proportion to the amount received by the FCM's other customers, potentially resulting in losses to the Subfund.

Risks Associated with Correlation of Price Changes. Because there are a limited number of types of exchange-traded option and future contracts, it is likely that the standardized contracts available will not match the Subfund's current or anticipated market exposure directly. The Subfund may invest in options and futures contracts based on securities with different maturities or other characteristics from the securities or market in which they typically invest, which involves a risk that the options or futures position will not track the performance of the Subfund's targeted market, index or investments.

Options and futures prices can also diverge from the prices of their underlying instruments, even if the underlying instruments match the Subfund's investments well. Options and futures prices are affected by such factors as current and anticipated short-term interest rates, changes in volatility of the underlying instrument, and the time remaining until expiration of the contract, which may not affect security prices the same way. Imperfect correlation may also result from differing levels of demand in the options and futures markets versus the securities markets, from structural differences in how options and futures and securities are traded, or from the imposition of daily price fluctuation limits or trading halts. The Subfund may purchase or sell options or futures contracts with a greater or lesser value than the securities it wishes to hedge or intends to purchase in order to attempt to compensate for differences in volatility between the contract and the securities, although this may not be successful in all cases. If price changes in the Subfund's options or futures positions are poorly correlated with its other investments, the positions may fail to produce anticipated gains or result in losses that are not offset by gains in other investments.

Swaps, Caps, Floors and Collars. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on

their nature, swap agreements may increase or decrease exposure to interest rates, credit risk, stock indices, mortgage securities, or other factors such as bond indices.

In a typical cap or floor agreement, one party agrees to make payments only under specified circumstances, usually in return for payment of a fee by the other party. For example, the purchase of an interest rate cap entitles the purchaser, to the extent that a specified index exceeds a predetermined interest rate, to receive payments of interest on a notional principal amount from the party selling such interest rate cap. The purchase of an interest rate floor entitles the purchaser, to the extent that a specified index falls below a predetermined interest rate, to receive payments of interest on a notional principal amount from the party selling such interest rate floor. An interest rate collar combines the elements of purchasing a cap and selling a floor. The collar protects against an interest rate rise above the maximum amount, but gives up the benefits of an interest rate decline below the minimum amount.

There can be no assurance that the Subfund will be able to enter into swaps, caps, floors or collars on favorable terms. Furthermore, there can be no assurance that the Subfund will be able to terminate a swap or sell or offset caps, floors or collars notwithstanding any terms in the agreements providing for such termination.

If there is default by the other party to such a transaction, the Subfund will have contractual remedies pursuant to the agreements related to the transaction. There is no assurance that swap, cap, floor or collar counterparties will be able to meet their obligations pursuant to their contracts, or that, in the event of default, the Subfund will succeed in pursuing contractual remedies. The Subfund thus assumes the risk of being delayed in or prevented from obtaining payments owed to the Subfund pursuant to swaps, caps, floors or collars.

Credit Ratings. Credit ratings of debt securities represent rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value; therefore, they may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events; so that an issuer's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of investments will be used by the Investment Manager and Sub-Investment manager only as a preliminary indicator of investment quality.

Interest Rate Exposure Not Eliminated by the Subfund's Hedging. The Subfund's hedging will attempt to maximize the Subfund's income while holding variations in the Subfund's Net Assets within a tolerable range. The Subfund's hedging positions are not designed to generate profits that in every situation will fully offset the losses on the Subfund's positions that would occur from changes in interest rates. The Subfund's hedging is designed only to minimize the Subfund's interest rate exposure within certain parameters established by the Investment Manager as investment manager of the Subfund. Sufficiently large and sudden movements in interest rates could result in substantial losses, possibly the loss of the Shareholders' entire investment.

Short Sales. The Subfund may use derivatives to seek exposure to short sales of securities. Selling securities short entails the risk of losing an amount greater than the proceeds received. Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. Amendments to or changes in interpretation of existing laws, rules and regulations of applicable jurisdictions with respect to short selling may cause the Subfund to incur certain expenses in order to achieve compliance with such changes. In addition, any such changes may adversely affect the ability of the Subfund to pursue its investment objectives.

Options. The Subfund may use options in furtherance of its investment objectives. Options positions may include both long positions, where the Subfund is the holder of put or call options, as well as short positions, where the Subfund is the seller (writer) of an option. Although option techniques can increase investment return, they can also involve a relatively high level of risk. The expiration of unexercised long options effectively results in loss of the entire cost, or premium paid for the option. Conversely, the writing of an uncovered put or call option can involve, similar to short selling, a theoretically unlimited risk of an increase in the cost to the Subfund of selling or purchasing the underlying securities, commodities or other instruments in the event of exercise of the option.

Reliance on Key Personnel. The success of the Subfund depends upon the ability of the Sub-Investment Manager to select and invest the Subfund's assets that meet the Subfund's individual investment objective. If the Sub-Investment Manager should lose the services of certain key personnel, its ability to perform its responsibilities might be impaired.

Decisions Based Upon Fundamental Analysis May Not Result in Profitable Trading. The Sub-Investment Manager uses a fundamental, research-intensive approach. The risk of such fundamental

analysis is that it may not result in profitable trading because the Sub-Investment Manager may not have knowledge of all factors affecting a particular investment or hedging instrument. These unknown factors may or may not be reflected in the Sub-Investment Manager's past performance, and may affect the future performance of the Subfund.

Market Risks. The Subfund will be exposed to risks typically incurred when investing in financial instruments. Volatility and lack of liquidity in the financial markets generally may also negatively impact the performance of the Subfund. The value of a security may decline due to general market conditions which are not specifically related to a company or industry, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. In addition, the markets in which the Subfund trades may, subject to applicable law and regulation, change significantly in the future, perhaps with adverse consequences to the trading of the Investment Manager.

Recent Global Financial Developments. Global financial markets have experienced a sharp increase in volatility during recent years. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. Notwithstanding that central banks as well as global governments are attempting to restore liquidity to the global economies, no assurance can be given that these efforts will abate the combined impact of the significant revaluations and constraints on the availability of credit on the economies around the world in the near to medium term.

Changes in Trading Approach. The Sub-Investment Manager, with the consent of the Investment Manager, Subfund and Management Company, may alter its approach in the event that it determines that such change is in the best interests of the Subfund (and subject to the Shareholder's right to redeem in such circumstances). The Sub-Investment Manager will notify Shareholders in writing in a timely manner of any changes which it considers to be material in the trading approaches it uses for the Subfund.

Possible Adverse Effects of Increasing Assets Managed. Advisory firms are limited in the amount of assets that they can successfully manage by both the difficulty of executing substantially larger trades in order to reflect larger assets under management and the restrictive effects of market illiquidity. The rates of return recognized on the trading of a limited amount of assets may have little relationship to those an adviser can reasonably expect to achieve trading larger amounts of funds. The Investment Manager has not agreed to limit the amount of additional assets that it may manage. There can be no assurance that additional assets accepted by the Investment Manager will not adversely affect the Investment Manager's strategies.

Monitoring of Leverage. The Investment Manager and Sub-Investment Manager have responsibility for controlling the leverage of the Subfund. The current leveraging of the Subfund and any subsequent "up-" or "de-leveraging" will be based on difficult and subjective evaluations of market conditions, trading performance and risk exposure. If the Investment Manager and Sub-Investment Manager de-leverage, the upside potential of the Subfund will be reduced. If, on the other hand, the Investment Manager and Sub-Investment Manager do not de-leverage when necessary, the Subfund's, performance may be adversely affected.

Other Clients of the Investment Manager. The Investment Manager and Sub-Investment Manager manage other accounts, some of which it may have incentives to favor over the Subfund. The Sub-Investment Manager and Investment Manager are not subject to any absolute restrictions on taking new accounts, which could increase the competition for its time and adversely impact the performance of the Subfund.

Moreover, each of the Investment Manager and Sub-Investment Manager has a fiduciary duty to the Shareholders to exercise good faith and fairness in all dealings affecting the Subfund and, if the underlying assets of the Subfund are considered for purposes of the Employee Retirement Income Security Act of 1974, as amended (the "ERISA") or Section 4975 of the United States Internal Revenue Code to be assets of employee benefit plans or other plans, to comply with the fiduciary provisions of ERISA with respect to the assets of the Subfund.

Reliance on Corporate Management and Financial Reporting. Some of the strategies implemented by the Subfund rely on the financial information made available by the issuers of securities in which the Subfund invests. The Investment Manager and Sub-Investment Manager have no ability to independently verify the financial information disseminated by the issuers in which the Subfund invests and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Recent events have demonstrated the material losses which investors can incur as a result of corporate (as well as government agency) mismanagement, fraud and accounting irregularities.

Limitations of Hedging Techniques and Unhedged Positions. The Subfund may employ hedging techniques to reduce the risk of investment positions. There is a risk that such techniques will not always be available and, when available, will not always be effective in limiting losses. Investment strategies may also entail taking substantial unhedged positions.

Portfolio Turnover. The Subfund has not placed any limits on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in the opinion of the Sub-Investment Manager, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate and may involve different tax consequences.

Income. An investment in the Subfund is not suitable for an investor seeking an income from such investment.

Ability to Redeem may be Limited. Although Shareholders may request the Subfund to redeem any or all of their Shares on any redemption day at the applicable redemption price, certain restrictions apply in certain circumstances.

Effect of Substantial Redemptions. Substantial redemptions from the Subfund could require the Subfund to liquidate its positions more rapidly than otherwise desired in order to obtain the cash necessary to fund the redemptions. Illiquidity in certain markets could make it difficult for the Subfund to liquidate positions on favourable terms, thereby potentially resulting in a decrease in its assets and its profitability. The Subfund will be permitted to borrow cash necessary to pay for redemptions in the normal course subject to the investment policies and restrictions herein or above such investment policies and restrictions when the Sub-Investment Manager determines, upon consultation with the Board of Directors, that it is not advisable to liquidate Subfund assets for that purpose and also will be authorized to pledge Subfund assets as collateral security for the repayment of such loans. In these circumstances, the non-redeeming Shareholders will bear a disproportionate risk of any decline in the value of the Subfund's assets subsequent to the redemptions.

Taxation. The tax laws of each jurisdiction that may be applicable to an investor in the Subfund may change in the future and any such changes could affect the value of such investor's investment. Please refer to the section entitled "*Taxation*" in this Prospectus for a discussion of certain tax considerations and risks that are inherent in the acquisition of shares in the Subfund.

Accounting Standards. Various accounting standards may be adopted that could cause the Subfund to be required to reserve for certain expenses or taxes or could otherwise impact the Net Asset Value of the Subfund. A prospective Shareholder should be aware that, among other things, these accounting standards could have a material adverse effect on the periodic calculations of the Net Asset Value of the Subfund, including reducing the Net Asset Value of the Subfund to reflect reserves for expenses or taxes that may be payable in respect of prior periods by the Subfund. This could adversely affect certain Shareholders, depending upon the timing of their purchase and redemption of Shares.

Regulation. While the Subfund may be considered similar to an investment company, it does not intend to register as such under the Investment Company Act of 1940, as amended, in reliance upon an exemption available to privately offered investment companies, and, accordingly, the provisions of that Act (which, among other matters, require investment companies to have disinterested directors, require securities held in custody to at all times be individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company and regulate the relationship between the adviser and the investment company) will not be afforded to the Subfund or the Shareholders.

The regulation of securities, forward, futures and options trading is a constantly changing area of the law. The various statements in this Memorandum are subject to modification by legislative action and changes in the rules and regulations of the SEC, the Financial Industry Regulatory Authority, Inc., the CFTC, the National Futures Association, commodity exchanges, and other regulatory bodies. The effect of regulatory change on the Subfund, while impossible to predict, could be substantial and adverse.

Trading Costs. The Subfund may engage in a high rate of trading activity resulting in correspondingly high costs being borne by the Subfund.

Possible Indemnification Obligations. The Subfund is generally obligated to indemnify the Investment Manager, the Sub-Investment Manager, the Management Company, the Administrator, and possibly other parties in connection with their providing certain services under the various agreements entered into with such persons or entities against any liability they or their respective affiliates may incur in connection with their relationship with the Subfund

Fees. The Subfund is directly subject to expenses as discussed herein. Such fees and expenses, in the aggregate may exceed the fees and expenses that would typically be incurred by an investor making a direct investment in a fund directly managed by the Sub-Investment Manager. Performance-based compensation arrangements may create an incentive for the Investment Manager and/or the Sub-Investment Managers to make investments that are more risky or more speculative than would be the case if such arrangements were not in effect. At each Valuation Day, the NAV per share of each share class of the Subfund will include the accrual of any Incentive Fee with respect to such valuation period based on realized and unrealized gains and losses

Incentive Fee Risk. For Classes of Shares that do not apply equalization, performance related incentive fees may be incurred by a shareholder which are not precisely based on appreciation in NAV of their particular shares. By consequence, some shareholders will receive a benefit while others will incur an effective loss of value, due to the absence of series accounting or equalization procedures.

Equalisation Credit Risk. For Classes of Shares that apply equalization, if a shareholder subscribes for such a class of shares at a time when the Gross Net Asset Value per Share (as defined below) of the relevant class is higher than the Prior High NAV (as defined below), then a portion of the subscriber's investment will be allocation to establish an Equalisation Credit as more fully described in "Incentive Fee – Equalisation" below. The amount of such Equalisation Credits will not be invested for the benefit of the subscriber in the Subfund and any unrecovered Equalisation Credits at the time of redemption of the applicable shares will be forfeited.

Political and/or Regulatory Change. Future changes to applicable law or regulation or uncertainties arising from political developments, changes in government policies, taxation or restrictions on foreign investment and currency repatriation may adversely affect the performance of the Subfund.

Changes in Exchange Rates. The performance of the Subfund could be adversely affected by changes and volatility in exchange rates.

Counterparty Exposure. The Subfund may invest directly and indirectly in securities and other financial instruments that involve counterparties. The terms of these contracts are often customized and complex and many of these arrangements occur in markets or relate to products that are not subject to regulatory oversight. The Subfund portfolio is subject to the risk that the counterparty to one or more of these contracts defaults, either voluntarily or involuntarily, on its performance under the contract. Any such default may occur rapidly and without notice. Risk-management models may not accurately anticipate the impact of market stress or counterparty financial condition, and as a result, it may not be possible to take sufficient action to reduce risks effectively for the Subfund. In the event of a counterparty default, particularly a default by a major investment bank, the Subfund could incur material losses.

Forward contracts are traded exclusively in the off-exchange market of dealers and banks. There are no clearing corporations in this market. In its forward trading, the Subfund will be subject to the risk of the bankruptcy of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Subfund trades. However, the Subfund intends to engage in forward trading only with large, well-capitalized banks and dealers. The Sub-Investment Manager may place forward trades for the Subfund through agents, so that the insolvency or bankruptcy of such parties could also subject the Subfund to the risk of loss.

Bankruptcy or fraud at one of these institutions could impair the operational capabilities or the capital position of the Subfund. The Subfund attempts to limit its investment transactions to well-capitalized and established banks and brokerage firms in an effort to mitigate such risks.

Service Providers Exposure. The Subfund relies on third party service providers such as custodian banks and administrative agents. Any default or wrongdoing from any of these providers could affect their performance and therefore impact the performance of the Subfund.

Forward-Looking Statements. This section may contain forward-looking statements. Forward-looking statements in this section made with respect to the Subfund's investment strategy or related matters reflect the views of the Sub-Investment Manager. Actual results could differ materially from those in the forward-looking statements as a result of factors beyond the Subfund's control. Investors are cautioned not to place undue reliance on such statements.

Lack of Independent Experts Representing Shareholders. Each of the Fund, Subfund, Investment Manager and Sub-Investment Manager has consulted with a single legal counsel regarding the formation and terms of the Fund and Subfund and the offering of the Shares. Shareholders have not, however, been independently represented. Therefore each prospective investor should consult its own legal, tax and

financial advisers regarding the desirability of subscribing for Shares and the suitability of investing in the Subfund.

Investment Manager

Gottex Asset Management (UK) Limited (the "Investment Manager"), a subsidiary of Gottex Fund Management S.à r.l. ("Gottex Fund Management") will serve as the investment manager of the Subfund.

The Investment Manager is a company incorporated and existing under the laws of England, whose principal place of business is at 5 Savile Row, London, W1S 3PD, United Kingdom. The Investment Manager is authorised and regulated by the Financial Conduct Authority (formerly known as the Financial Services Authority) with authorisation number 195960.

In the future, the Investment Manager may, in accordance with applicable laws and regulations and with the consent of the Board of Directors and the Management Company, assign its investment management responsibilities to Gottex Fund Management or another affiliate.

Founded in 1992, Gottex Fund Management provides alternative investment solutions and advisory services to its clients on a global basis and as of 31 December 2012 managed US\$6.99 billion. Gottex Fund Management serves its clients from offices in Europe, North America and Asia. It employs approximately 100 people, including investment professionals in offices strategically located around the world. This allows Gottex Fund Management to combine in-depth local knowledge of financial markets and investors with the strength of a global presence and infrastructure. Gottex Fund Management is a registered investment adviser regulated by the U.S. Securities and Exchange Commission.

Sub-Investment Manager

The Investment Manager, with the prior approval of the Management Company and the CSSF, will appoint River Plate House Capital Management Corp. as the sub-investment manager (the "Sub-Investment Manager".)

The Sub-Investment Manager is incorporated under the laws of the Province of Ontario and acts as the sub-investment manager for the Subfund. The Sub-Investment Manager is registered in the Province of Ontario as a Restricted Portfolio Manager (fixed income and related derivatives), Investment Fund Manager and an Exempt Market Dealer. The Sub-Investment Manager is authorized to provide advisory and investment management services to the Subfund with respect to its assets in accordance with the Subfund's investment objective and strategies, and marketing support from time to time.

The Sub-Investment Manager was incorporated under the laws of the Province of Ontario on June 21, 2012. The principal place of business of the Sub-Investment Manager is 70 University Avenue, Suite 1200, Toronto, Ontario M5J 2M4. The following are the directors and officers of the Sub-Investment Manager:

<u>Name and Municipality of Residence</u>	<u>Office(s) with the Sub-Investment Manager</u>
Michael Hyman Toronto, Ontario	Chief Executive Officer, President, Chief Investment Officer and Director
Julian Smith Toronto, Ontario	Executive Vice President, Chief Compliance Officer, Chief Operating Officer and Director
David Burns Toronto, Ontario	Managing Director, Director

The personal biographies of the directors and officers of the Sub-Investment Manager are listed below.

MICHAEL HYMAN

Michael H. Hyman is responsible for overall portfolio management.

Michael is President, CEO & CIO, and a director of the Sub-Investment Manager. Michael 'cut his teeth' in the London markets in the 1980s and 1990s where he developed expertise in managing global government bonds, producing top-quartile inflation adjusted returns.

Michael started managing global government bond portfolios in London for Cigna International Investment Advisors in 1983, and started his own firm GH Asset Management Limited in 1988. GH Asset Management Limited (1988 to 1998) was consistently ranked as a top global government bond investment manager. Michael's proven long-term track record earned him the PIPER No. 1 global fixed income ranking for the challenging five year period, ending 1997, while managing assets in excess of \$3.0 billion.

Following the sale of his firm to Aberdeen Asset Management PLC in 1998, Michael focused on authoring two books, "The Power of Global Capital" (Thompson, 2004), chronicling his money management days at GH Asset Management Limited, and "New Ways for Managing Global Financial Risks – The Next Generation" (John Wiley, 2005), solutions for financial survival. During the early years of the next decade, Michael focused his vision on helping solve global economic and financial risks by delivering new financial solutions to ensure assets meet liabilities and longevity risks.

In late 2005, Michael decided to return to managing global government bond portfolios, which resulted in his co-founding of River Plate House Capital Management Corp.

Michael is also a member of the Advisory Investment Committee (AIC) of the World Health Organization (WHO) from January 1, 2012 until December 31, 2015.

JULIAN SMITH

Julian C. Smith is responsible for overall operations, compliance & risk management.

Julian is Executive Vice President, COO & CCO, and a director of the Sub-Investment Manager. Julian began his career in the late 1990s at Merrill Lynch Private Client where he partnered to develop a significant managed account business before leaving to head business development at Charles Schwab in Toronto, Canada.

Following his experience at Charles Schwab, he spent over 5 years as Senior Vice President at Raymond James Ltd. as the head of its Asset Management and Product Research groups. During his time at Raymond James, Charles Schwab and Merrill Lynch, Julian's responsibilities included branch management, operational management, sales and marketing, compliance and risk management, and managerial/leadership roles. While at Raymond James, Julian built and led the sales and administration functions of their fee-based, managed account and portfolio management platforms for affluent clients, along with developing and managing their product research platform for mutual funds, hedge funds and ETF's. In addition, he developed comprehensive training and educational platforms for all of these solutions.

In 2009, Julian left Raymond James to explore building an investment management firm while consulting for a number of broker-dealers (IIROC) and OSC registrant investment management firms helping to develop their businesses, technologies, compliance and risk, and operational platforms. This resulted in Julian co-founding River Plate House Capital Management Corp.

DAVID BURNS

David Burns is responsible for sales, marketing and distribution.

David is Managing Director and a director of the Sub-Investment Manager. David has enjoyed a successful and distinguished career in finance since starting as an investment manager in the City of London and Wall Street, and recently retiring as Managing Director of Schroders (Bermuda) Limited, the wholly owned Bermudian subsidiary of Schroders Investment Management Limited.

Throughout a career that spanned nearly 40 years, David has been an integral part of many organizations with differing roles and responsibilities. He has been an investment manager at Kleinwort Benson and Chase Manhattan Bank during the 1970s and 1980s, then Banco de Progreso in London and Bankinter in both London and Dublin, Ireland in the 1990s, before joining Schroders in 1998.

While at Schroders, David became Country Head of Spain (establishing the Schroders office in Madrid), then returning to London to head up their Global Financial Institutions Group. In early 2009, David was appointed Managing Director of the Bermuda office where he built a successful business with the international institutions based on the island.

After a very brief retirement, David will be joining a few boards and will be bringing his immense experience to create a larger global footprint for River Plate House Capital Management Corp.

Platform Operator

Gottex Asset Management (UK) Limited will also serve as the Fund's platform operator (the "Platform Operator") and will provide certain monitoring and other platform operation services with respect to the Subfund, including, without limitation, negotiating and monitoring compliance with various service provider agreements and related trading agreements, monitoring the Sub-Investment Manager's compliance with certain risk guidelines and investment restrictions, monitor and approve cash and securities movements from the Subfund's bank accounts, assessing counterparty credit risk, reviewing the computation of monthly calculations of the Subfund's estimated net asset value ("the "Net Asset Value" or "NAV") reported by the Administrative Agent and reviewing on a sample basis the daily indicative Net Asset Value reported by the Administrative Agent. The Platform Operator, on behalf of the Subfund, shall establish limits (the "Counterparty Credit Limits") on the counterparty credit risk between the Subfund and each of its trading counterparties from time to time, and shall monitor the Sub-Investment Managers' compliance with such Counterparty Credit Limits. The Platform Operator shall be entitled to a fee described below in the section "Platform Operator Fee". The Platform Operator may, with the consent of the Management Company, delegate its functions to another party, including an affiliate.

Investments in the GOTTEX SICAV – RPH Global Government Real Return Fund

General Information

- Classes of shares:

The Subfund currently offers 8 classes of shares: Class AA, Class CC, Class EE, Class GG, Class KK, Class UU, Class S and Class SS, which differ by their level of management fee, reference currency for incentive fee or targeted investors. Certain share classes will employ German tax transparent reporting (except for *Aktiengewinn*) as indicated in the table below. Class S has been closed to further subscriptions. Class SS will be open to seed investors until such time as determined by the Board of Directors, and the remaining classes of shares will be open to all investors. The Subfund may close any of the foregoing share classes to further subscriptions, and offer one or more new share classes, in accordance with applicable laws and regulations and with the consent of the Board of Directors and the Management Company.

- Reference currency:

The reference currency of the Subfund is EUR. This is the currency in which the Net Asset Value of the Subfund is calculated.

	Reference currency	Maximum annual management fees	Annual incentive fee [1]	Initial subscriptions [2]	Subsequent subscriptions	Targeted Investors	Use Equalization/ Clearstream/ Eligible	Apply German tax transparent reporting
Class AA	EUR	1.35%	10%	€500,000	€1,000	All investors	No/Yes	Yes
Class CC	CHF	1.75%	10%	CHF 10,000	CHF 1,000	All investors	No/Yes	No
Class EE	USD	1.75%	10%	\$10,000	\$1,000	All investors	No/Yes	No
Class GG	GBP	1.75%	10%	£10,000	£1,000	All investors	No/Yes	No
Class KK	EUR	1.75%	10%	€ 10,000	€1,000	All investors	No/Yes	Yes
Class S	EUR	1.00%	10%	€ 10,000	€ 1,000	Seed investors	Yes / No	No
Class SS	EUR	1.00%	10%	€ 10,000	€1,000	Seed investors	No/Yes	Yes
Class UU	USD	1.35%	10%	\$ 1,000,000	\$1,000	All investors	No/Yes	No

[1] Annual Incentive Fee is charged as described below

[2] Subscription orders must be received by the Fund's Administrative Agent by 3 p.m. Luxembourg time at least 5 Business Days prior to the relevant Subscription Day.

The share classes of the Subfund are denominated as follows:

- EUR for share classes AA, KK, S and SS;
- CHF for Class CC;

- GBP for Class GG; and
- USD for Class EE and UU.

These are the currencies in which the Net Asset Value per share of the relevant classes is calculated and in which subscription moneys and redemption proceeds are payable.

To the extent that investments may be made by the Subfund in currencies other than EUR, investors will be exposed to foreign exchange movements between such currencies and EUR.

Investors in Class CC will be exposed to currency fluctuations between CHF and EUR.

Investors in Class GG will be exposed to currency fluctuations between GBP and EUR.

Investors in Class EE and UU will be exposed to currency fluctuations between USD and EUR.

The Subfund reserves the right to enter into currency hedging transactions to seek to mitigate such fluctuations but there can be no assurance such transactions will be entered into or, if they are entered into, that they will be continuous and/or successful. Further, any such currency hedging transactions that are entered into by the Subfund may be terminated at any time by the Subfund if such termination is deemed by the Investment Manager in its judgment to be in the best interests of the classes concerned. For the avoidance of doubt, the shareholders of the Subfund will bear all the costs and expenses incurred as a result of both the currency conversions and any currency hedging activity with respect to the shares of the Subfund. In addition, any income or loss attributable to any currency conversions and/or hedging activity for the shares of the Subfund will be allocated to the Subfund.

Valuation Day: the Net Asset Value per share will be calculated as of Friday of each calendar week. Should a Friday not be a Business Day, the Net Asset Value will be calculated as at the next following day which is a Business Day. Without prejudice to any state of affairs which may in the opinion of the Board of Directors justify an additional delay, the Net Asset Value is normally published the following week. The Net Asset Value per share will also be calculated as of 31 December of each calendar year (which shall itself not be a Valuation Day) for purposes of closing the books and records of the Fund, and which shall not be a dealing NAV, as of the end of the Fund's financial year. For the purposes of this Subfund particular, Business Day shall mean any day in which banks are open for business in New York, NY, USA and Luxembourg. In no event shall a Saturday or Sunday be a Business Day.

- The Subfund may purchase Brazilian securities that are subject to capital control taxes. In order to ensure that all shareholders are treated equally, the Subfund will calculate two NAVs:
 - One NAV will be published for subscription, redemption and conversion of shares (and which NAV shall be the official NAV), that includes deferral and amortization of capital control taxes over a period of 9 months (this will not conform with Luxembourg GAAP);
 - In addition, a second NAV, conforming with Luxembourg GAAP will only appear in audited financial statements, in which capital control taxes are expensed immediately, and which will not be the official NAV nor used for dealing purposes.
- Usually shares will be issued as registered shares. Shareholders will receive a confirmation of their shareholding, but no formal share certificate will be issued.
- Investment Management Fees: The Investment Manager and Sub-Investment Manager shall jointly be entitled to the investment management fee (the "Investment Management Fee") for each share class as described below. For the avoidance of doubt, the Investment Management Fee will be for the benefit of the Sub-Investment Manager. The Investment Management Fee will be computed on a weekly basis within a given month and typically paid the following month.
 - Class S and Class SS: up to 1.00% per annum of the NAV of the Class S or Class SS Shares, as the case may be.
 - Class KK, CC, GG, and EE: up to 1.75% per annum of the NAV of the respective classes of shares.
 - Class AA and UU: up to 1.35% per annum of the NAV of the respective class of shares.

For the avoidance of doubt, per annum as used in this Subfund particular shall mean the number of days for the purposes of the computation divided by 365.

For purposes of the foregoing, the NAV will be determined as of the first Business Day of the week in which the Investment Management Fee for such class of Shares is calculated and shall consist of (i) the NAV per such class of Shares as of the last day of the preceding week, plus (ii) subscriptions for such class of Share effective on the first Business Day of the current week minus (iii) the estimated value of the redemptions which were effective the last day of the previous week. The Investment Management Fee will be paid to the Sub-Investment Manager in Euros typically within thirty (30) calendar days following the last day of each month. For purposes of this section, "Share" or "Shares" shall mean the relevant shares of each class of the Subfund. NAV shall be determined in accordance with Luxembourg GAAP except as provided above with respect to capital control taxes incurred by the Subfund for the purposes of the dealing NAV. The NAV that appears in audited financial statements shall conform with Luxembourg GAAP in all respects.

Incentive Fees – Non Equalisation Share Classes (Class AA, CC, EE, GG, KK, SS and UU)

At the end of each Calculation Period, the Sub-Investment Manager will be entitled to an incentive fee (the "Incentive Fee") equal to 10% of Incentive Base, defined below.

Incentive Base will be computed separately for each share class, and will be equal to:

1. The increase in aggregate net asset value during the Calculation Period;
 - a. less aggregate subscriptions received during the Calculation Period;
 - b. plus aggregate redemptions during the Calculation Period.
2. Before any accrual for the Incentive Fee; and
3. Reduced to the extent of any unrecovered balance remaining in the Loss Recovery Account, defined below.

The total Incentive Fee will be allocated among the investors in each share class proportionately based on shares owned.

The Subfund will maintain a memorandum loss recovery account (the "Loss Recovery Account") for each share class, the opening balance of which will be zero. The Loss Recovery Account will be credited with Luxembourg GAAP losses, if any, and will be debited (but not beyond zero) with any Luxembourg GAAP income.

The Incentive Fee will normally be paid in euros to the Sub-Investment Manager as follows: 90% of the estimated amount within 30 calendar days after the end of the applicable Calculation Period and the balance, as it may be adjusted, within 10 calendar days following the completion of year-end audit with respect to the year in which the Calculation Period ended. The calculation of the Incentive Fee shall be subject in all respects to the terms set forth in the Prospectus.

A "Calculation Period" is generally the period from January 1 to June 30 inclusive, and July 1 to December 31 inclusive, except that: (i) the first Calculation Period with respect to any Class will commence upon the first issuance of Shares in such Class by the Subfund and will end on the following December 31st; (ii) the Calculation Period with respect to Shares redeemed by a Shareholder shall end on the Redemption Day for such Shares; and (iii) the then-current Calculation Period for each Class shall end upon termination of the Sub-Investment Management Agreement between the Sub-Investment Manager and the Investment Manager.

Incentive Fee –Equalisation Share Class (Class S)

"Equalisation" will be applied to Class S only and will not apply to any other share class. With Equalisation, the Incentive Fee is effectively calculated on a Share-by-Share basis so that each Share is charged Incentive Fee that equates with that Share's performance. This method of calculation ensures that (i) any Incentive Fee paid to the Investment Manager and Sub-Investment Manager is charged only to those Shares that have appreciated in value, (ii) all Shareholders within a Class have the same amount per Share at risk, and (iii) all Shares of a Class have the same Net Asset Value per Share. For the purpose of this section and as the case may be in relation to the Subfund, "Class" may be read as "Sub-Class".

The Equalisation method adopted is usually referred to as the "Equalisation Share Adjustment Approach" according to which investors subscribe against the Gross Net Asset Value per Share and redeem against the Net Asset Value per Share. "Gross Net Asset Value per Share" is the Net Asset Value per Share before the accrual of the Incentive Fee. If an investor subscribes for Shares of a Class at a time when the Net Asset Value per Share of that Class is other than the Prior High NAV per Share of that Class, certain adjustments will be made to reduce inequities that could otherwise result to the subscriber, the existing or exiting Shareholders or to the Investment Manager.

This can be explained as follows.

- (A) If Shares are subscribed for at a time when the Net Asset Value per Share is less than the Prior High NAV per Share of the relevant Class (such Net Asset Value per Share at which such Shares are subscribed for being the initial "Base Net Asset Value per Share" for such Shares), the Investor shall be required to pay an Incentive Fee with respect to any subsequent appreciation in the value of those Shares.

At the end of each Calculation Period the Base Net Asset Value per Share will be updated to the greater of (i) the existing Base Net Asset Value per Share, and (ii) the minimum of (x) the then current Net Asset Value per Share, and (y) the Prior High NAV per Share. The Base Net Asset Value per Share will be updated and taken into account until the Net Asset Value per Share as at the end of a Calculation Period has reached the Prior High NAV per Share.

With respect to any appreciation in the value of those Shares from the Base Net Asset Value per Share up to the Prior High NAV per Share, an "Equalisation Deficit" will be taken into account. The Equalisation Deficit is calculated as the relevant Incentive Fee percentage of any such appreciation, and will crystallise at the end of each Calculation Period by redeeming at the then current Net Asset Value per Share such number of the Shareholder's Shares of the relevant Class as have an aggregate value equal to the relevant Incentive Fee percentage of the difference between (i) the minimum of (x) the then current Net Asset Value per Share, and (y) the Prior High NAV per Share, and (ii) the Base Net Asset Value per Share of the relevant subscription, multiplied by the number of the Shareholder's Shares of that Class which are subject to the Equalisation Deficit (such redemption, an "Incentive Fee Redemption").

The Shareholder's Shares of that Class will continue to be so redeemed at the end of each Calculation Period until the Base Net Asset Value per Share of the relevant subscription reaches the Prior High NAV per Share. The aggregate Net Asset Value of the Shares so redeemed will be paid to the Investment Manager and Sub-Investment Manager as an Incentive Fee.

Incentive Fee Redemptions are employed to ensure that the Subfund maintains a uniform Net Asset Value per Share of each Class. As regards the Shareholder's remaining Shares of that Class, any appreciation in the Gross Net Asset Value per Share of those Shares above the Prior High NAV per Share of that Class will be charged an Incentive Fee in the normal manner.

If a Shareholder redeems his Shares at a time when the Base Net Asset Value per Share of such Shares is under the Prior High NAV per Share, the Shareholder will be charged, with respect to his Shares subject to an Equalisation Deficit, an amount equal to the relevant Incentive Fee percentage of the difference between (i) the minimum of (x) the then current Net Asset Value per Share, and (y) the Prior High NAV per Share, and (ii) the Base Net Asset Value per Share of the relevant subscription, multiplied by the number of Shares so redeemed.

- (B) If Shares are subscribed for at a time when the Net Asset Value per Share is greater than the Prior High NAV per Share of the relevant Class, the Investor shall be required to pay an amount in excess of the then current Net Asset Value per Share of that Class equal to the relevant Incentive Fee percentage of the difference between the then current Gross Net Asset Value per Share of that Class and the Prior High NAV per Share of that Class (such excess amount, an "Equalisation Credit"). At the date of subscription the Equalisation Credit will equal the Incentive Fee per Share accrued with respect to the outstanding Shares of the same Class (the "Maximum Equalisation Credit").

The Equalisation Credit is payable to account for the fact that the Net Asset Value per Share of that Class has been reduced to reflect an accrued Incentive Fee to be borne by existing Shareholders and serves as a credit against Incentive Fee that might otherwise be payable by the Class, but that should not, in equity, be charged against the Shareholder making the subscription because, as to such Shares, no favourable performance has yet occurred. The Equalisation Credit ensures that all holders of Shares of the same Class have the same amount of capital at risk per Share.

The additional amount per Share invested as the Equalisation Credit will be at risk in the Subfund and will therefore appreciate or depreciate based on the performance of the relevant Class subsequent to the issue of the relevant Shares, but will never exceed the Maximum Equalisation Credit and will never become negative. In the event of a decline as at any Valuation Day in the Net Asset Value per Share of the Shares, the Equalisation Credit will also be reduced by an amount equal to the relevant Incentive Fee percentage of the difference between the Gross Net Asset Value per Share at the date of issue and as at that Valuation Day. Any subsequent appreciation in the Net Asset Value per Share of the relevant Class will result in the recapture of any reduction in the Equalisation Credit, but only to the extent of the previously reduced Equalisation Credit up to the Maximum Equalisation Credit.

At the end of each Calculation Period, if the Gross Net Asset Value per Share exceeds the Prior High NAV per Share of the relevant Class, the Equalisation Credit applicable at that time, multiplied by the number of Shares of that Class subscribed for by the Shareholder, shall crystallise as it will be applied to subscribe for additional Shares of that Class for the Shareholder. Additional Shares of that Class shall continue to be so subscribed for at the end of each Calculation Period until the Maximum Equalisation Credit has fully crystallised.

If the Shareholder redeems his Shares of that Class before the Maximum Equalisation Credit has fully crystallised, e.g. as the Equalisation Credit may have depreciated after the original subscription for Shares of that Class was made, the Shareholder will receive additional redemption proceeds equal to the Equalisation Credit then prevailing multiplied by a fraction, the numerator of which is the number of Shares of that Class being redeemed and the denominator of which is the number of Shares of that Class held by the Shareholder immediately prior to the redemption in respect of which an Equalisation Credit was paid on subscription.

In case of a partial redemption from a shareholding consisting of multiple subscriptions, the application of the "first-in-first-out" method might result in the definitive loss of a potential Equalisation Credit appreciation related to the Shares redeemed, while the remaining Shares of the shareholding might not (to the same extent) carry such potential of an Equalisation Credit appreciation.

A Shareholder's Equalisation Deficit or Credit resulting from Equalisation is referred to as an "Equalisation Adjustment".

A conversion of Shares will be carried out firstly as a redemption of the Shares switched out of, including the crystallisation of the associated Equalisation Adjustment, if any, and subsequently as a subscription for the Shares switched into, including the application of Equalisation.

Shareholders should bear in mind that a conversion of Shares might have adverse consequences:

- Firstly, if the then prevailing Net Asset Value per Share of the Shares switched out of is lower than the Net Asset Value per Share prevailing at the time these Shares were acquired. In such case, a conversion might result in the definitive loss of a potential Equalisation Credit appreciation related to the Shares switched out of and/or the definitive loss of an implied carry forward loss embedded in the Net Asset Value of the Shares switched out of. Such implied carry forward loss represents the portion of potential positive investment performance on which no Incentive Fee would be due.
- Secondly, if the then prevailing Net Asset Value per Share of the Shares switched out of is higher than the applicable Base Net Asset Value per Share or Prior High NAV per Share, as the case may be. In such case, the accrued Incentive Fee associated with the Shares switched out of will be charged upon the conversion and the Shareholder will definitively lose the potential of an earn-back of accrued Incentive Fee in case of subsequent negative investment performance.

None of the aforementioned adverse consequences of a conversion of Shares will be compensated for in any manner.

All or part of the Incentive Fee may be paid based on unaudited financial data, and in the event that there is a subsequent adjustment to the unaudited financial data that was originally used to calculate the Incentive Fee, generally such adjustment shall be reflected in the calculation of the NAV per share as of the next Valuation Day. However, once shares are redeemed no further adjustments for purposes of any Incentive Fee paid shall be made.

Platform Operator Fee

The Platform Operator will receive from the Subfund a fee (the "Platform Operator Fee") in respect of the platform operator services provided to the Subfund for each Class of Shares, which will be paid monthly in an amount equal to 0.35% per annum of the first EUR 50,000,000 of the Subfund's NAV, 0.30% per annum of any amounts in excess of the first EUR 50,000,000 of the Subfund's NAV and up to and including EUR 100,000,000 of the Subfund's NAV, and 0.25% per annum of any amounts in excess of EUR 100,000,000. Notwithstanding the foregoing, the minimum Platform Operator Fee shall be EUR 10,000 per month.

Reduction of Fees; Rebates; Distributors

The Subfund will bear its own fees and expenses, which will include the Charges and Expenses described in Subsection 12 of Section II of this Prospectus. The Platform Operator may reduce the application of the Platform Operator Fee and the Investment Manager, with the consent of the Sub-Investment Manager, may reduce the application of the Management Fee or the Incentive Fee, as applicable, with respect to Shares of

certain Shareholders. Any such reduction will not increase the amount of the Management Fee, Incentive Fee or Platform Operator Fee borne by other Shareholders. Any reduction of such fees may be effectuated by way of a rebate from the Investment Manager, Platform Operator or Sub-Investment Manager, as applicable, to the relevant Shareholder, and will not require the consent of any other Shareholder.

The Investment Manager and the Sub-Investment Manager may agree to pay or cause the Subfund to pay out of the Investment Management Fee various distributors or service providers (including itself and affiliates of the Investment Manager or Sub-Investment Manager) for services provided to the Investment Manager and/or the Sub-Investment Manager.

Initial NAV and minimum and subsequent subscriptions:

Shares of the Class S have been issued for the first time on December 10, 2012 at an initial subscription price of EUR 100.

The following share classes have been issued at the initial subscription prices indicated below:

Class AA and KK – EUR 100

Class CC – CHF 100

Class EE – USD 100

Class GG – GBP 100

Class SS – EUR 100

Share class UU will be issued for the first time on 7 June, 2013 at the initial subscription price of USD 1,000,000.

After the launch date shares will be offered at the Net Asset Value per share as of the applicable Valuation Day, exclusive of any initial subscription fee of up to 2% charged to pay the fees of any sales agents or distributors. The minimum initial subscription amount is €500,000 for Class AA, €10,000 for Class KK, S and SS, CHF Class CC, \$10,000 for Class EE, \$ 1,000,000 for Class UU and GBP 10,000 for Class GG. Subsequent subscription amounts may be made in increments of €1,000 for Class AA KK and S, CHF 1,000 for Class CC, \$1,000 for Class EE and UU and GBP 1,000 for Class GG. The Subfund may, with the consent of the Board of Directors, lower or waive the minimum or subsequent subscription amounts.

Subscriptions:

- The shares of the Subfund may be subscribed on each Valuation Day (a "Subscription Day") based on the Net Asset Value per share as of that Valuation Day.
- Subscription applications can only be made for a specific amount and not for a specific number of shares.
- Subscription fee: up to 2% of subscription moneys charged to pay the fees of any sales agents.
- In order to be dealt with on a specific Subscription Day, subscription orders must be received by the Fund's Administrative Agent by 3 p.m. Luxembourg time at least five Business Days before the relevant Subscription Day. The Board of Directors may at its discretion decide to waive this 5 days prior notice period provided that this would not (i) constitute practices of market timing and (ii) be detrimental to the interests of the Fund's other shareholders. The following forms of communication are acceptable to the Fund for submitting subscription requests to the Administrative Agent:
 1. Facsimile Transmission – on +352 260 236 470;
 2. Email Transmission – via email (provided that it contains a scanned copy of the relevant duly signed document) to Luxshare@citco.com;
 3. Mail – Mailing the original via mail/courier to the Investor Relations Group, c/o Citco Fund Services (Luxembourg) S.A., Carré Bonn, 20, rue de la Poste, L-2346 Luxembourg.

Notwithstanding the method of communication, the Fund and/or the Administrative Agent reserve the right to ask for the production of original documents or other information to authenticate the communication. In the case of mis-receipt or corruption of any message, investors will be required to re-send the documents. Investors should note that they must use the form document provided by the Fund in respect of the subscription request, unless such condition is waived by the Fund and/or the Administrative Agent. Messages sent via email must contain a duly signed document as an attachment.

- Subscription proceeds must be paid to the Custodian no later than three (3) Business Days before the relevant Subscription Day by 11 a.m. Luxembourg time; provided that from time to time the Board of Directors may in its discretion and consistent with relevant market practice decide to accept late subscription proceeds up to 11 a.m. Luxembourg time on any such Subscription Day.
- The Administrative Agent will process subscription requests which are received by facsimile, mail or email. For the initial subscription in the Fund, the original document should follow by mail/courier thereafter. Neither the Fund nor the Administrative Agent shall be responsible for any delivery failure or non-receipt of any facsimile or email if they have not acknowledged receipt of the facsimile, email or original document. Facsimiles, emails or original documents sent to the Fund or the Administrative Agent shall only be effective when actually acknowledged by the Fund or the Administrative Agent. Written confirmation of completed subscriptions (indicating the total number of full and fractional shares issued to the subscriber as of the applicable Subscription Day) will be sent to the subscriber at the address provided in the application as soon as reasonably practicable and normally within five (5) Business Days of the date on which the relevant Net Asset Value was made available. In the event that no confirmation is received from the Administrative Agent within the aforementioned five (5) Business Day period, subscribers should contact the Administrative Agent on +352 260 236 872 to confirm receipt.

Process for Redemptions:

- The shares of the Subfund may be redeemed on each Valuation Day (a "Redemption Day") based on the Net Asset Value per share as of that Redemption Day.
- Redemption applications can only be made for a specific number of shares and not for a specific amount.
- In order to be dealt with on a specific Redemption Day, redemption orders must be received by the Fund's Administrative Agent by 3 p.m. Luxembourg time at least five (5) Business Days before the relevant Redemption Day. The following forms of communication are acceptable to the Fund for submitting redemption requests to the Administrative Agent:
 1. Facsimile Transmission – on +352 260 236 470;
 2. Email Transmission – via email (provided that it contains a scanned copy of the relevant duly signed document) to Luxshare@citco.com;
 3. Mail – Mailing the original via mail/courier to the Investor Relations Group, c/o Citco Fund Services (Luxembourg) S.A., Carré Bonn, 20, rue de la Poste, L-2346 Luxembourg.
- Notwithstanding the method of communication, the Fund and/or the Administrative Agent reserve the right to ask for the production of original documents or other information to authenticate the communication. In the case of mis-receipt or corruption of any message, investors will be required to re-send the documents. Investors should note that they must use the form document provided by the Fund in respect of the redemption requests, unless such condition is waived by the Fund and/or the Administrative Agent. Messages sent via email must contain a duly signed document as an attachment.
- Redemption proceeds will normally be paid by the Custodian no later than five (5) Business Days following the relevant Redemption Day provided that any outstanding identification and KYC documents have been received by the Administrative Agent. Redemption proceeds will be paid in the denominated currency of the applicable class of shares to which the redemption relates.
- The Administrative Agent will process redemption requests which are received by facsimile, mail or email. Neither the Fund nor the Administrative Agent shall be responsible for any delivery failure or non-receipt of any facsimile or email if they have not acknowledged receipt of the facsimile, email or original document. Facsimiles, emails or original documents sent to the Fund or the Administrative Agent shall only be effective when actually acknowledged by the Fund or the Administrative Agent. Written confirmation of completed redemption requests will be sent to the redeeming shareholder at the address provided in the application as soon as reasonably practicable and normally within five (5) Business Days of the date on which the relevant Net Asset Value was made available. In the event that no confirmation is received from the Administrative Agent within such five (5) Business Day period, investors should contact the Administrative Agent on +352 260 236 872 to confirm receipt.

Conversions:

Conversions into other Subfunds of the Fund are not permitted; however conversions between share classes with the same fee levels of this Subfund are permitted.

Past performance:

This will be inserted into the key investor information document one year after the launch of the Subfund.

Dividends:

The Subfund does not intend to declare and pay dividends on any class of shares as the Subfund's objective is to seek capital appreciation.

Method for Measuring Global Exposure of the Subfund

The global exposure of the Subfund is measured using Absolute Value at Risk (VaR) approach in accordance with CSSF circular 11/512.

Leverage

The leverage ratio will be calculated according to the CSSF circular 11/512 using the sum of the notionals. The maximum expected level of leverage will not exceed 300% based on the net asset value of the Subfund. Under exceptional circumstances the level of leverage might exceed the before mentioned range.

GOTTEX SICAV – Smith Breeden Fixed Income Credit Relative Value Fund

This specific section describes the particulars of the Subfund GOTTEX SICAV – Smith Breeden Fixed Income Credit Relative Value Fund (the "Subfund").

This section is an integral part of the Prospectus and therefore, all information given herein should be considered in conjunction with the information provided in the other sections of this Prospectus.

Investor Profile

The Subfund may only be suitable for investors with a long term investment horizon who consider investments in the Subfund as a convenient way of accessing the performance (positive or negative) of fixed income investments. Investors must be able and willing to accept and bear the risks associated with an exposure to fixed income investments, with an emphasis on corporate and securitized credit, and the potential net asset value variations and losses on their investment, which may be substantial. A fall in value of the Subfund's shares is possible at any time and investors should be able to bear the loss of their entire investment. An investment should only be made in the Subfund as part of a diversified portfolio of investments.

Investment Objective

The investment objective of the Subfund is to seek to produce total returns by actively managing relative value across fixed income investments with an emphasis on corporate and securitized credit. A relative value investment strategy is one in which an investor or fund manager attempts to take advantage of relative pricing discrepancies between different assets such as equities, debt securities, options, and futures. The realisation of the Subfund's investment objective is not guaranteed. The net asset value of the Subfund may therefore decrease and investors may lose their entire investment in the Subfund.

Investment Policy

The Subfund's multi-strategy fixed income relative value approach allocates capital across the broad spectrum of U.S. fixed income markets, as well as special situation opportunities which may include non-U.S. fixed-income securities and currencies. The Subfund's investment strategy is designed to generate excess returns primarily from active security selection and sector allocation, while attempting to realize diversification benefits across market sectors. The Subfund's investment strategy focuses more on total return oriented relative value active management rather than yield oriented buy and hold carry positions. The Subfund intends to invest primarily in corporate credit, securitized credit, agency residential mortgage-backed securities, sovereign debt, other fixed-income securities, and currencies. In addition, the Subfund intends to use hedge instruments, including financial derivative instruments, designed to manage the duration of the portfolio. The management of interest rate risk exposure is designed to reduce correlation to traditional equity and fixed income market returns.

Investment Types

In pursuing its investment objectives, and subject to the UCITs guidelines, the Subfund may take long positions or short positions through cash-settled derivative instruments in any type of permitted security or financial instrument, including, but not limited to corporate bonds, U.S. and non-U.S. government securities, equity securities, including REITS and preferred stock, trust-preferred securities, currency futures, forwards and options, bonds issued by corporations, religious, educational, benevolent and charitable organizations issued in reliance on Sections 3(A)(2) and 3(A)(4) of the U.S. Securities Act of 1933 (the "Securities Act"), private placement securities issued under Rule 144A of the Securities Act (if the Subfund acquires and maintains Qualified Institutional Buyer status, as defined in the Securities Act), convertible securities, and high-quality money market instruments including commercial paper and repurchase agreements collateralized by bonds issued or guaranteed by a member state of the OECD or by their local public authorities or by supranational institutions and undertakings with EU, regional or world-wide scope. The Subfund may make use of repurchase, reverse repurchase, and dollar roll arrangements.

The Subfund may also invest in asset-backed securities ("ABS"), the underlying assets of which may consist of auto loans, credit card receivables, home equity loans, manufactured housing loans, equipment loans, dealer floor plans, small business loans and student loans, commercial mortgage-backed securities ("CMBS"), the underlying assets of which include commercial mortgage loans, residential mortgage-backed securities ("MBS") and other residential mortgage-related securities, the underlying assets of which include residential mortgage loans (private-label and agency-backed) and other structured credit securities.

The foregoing is not meant to be an exhaustive list of underlying assets for these types of securities.

The Subfund does not anticipate limiting its investments to only the senior tranches of securitizations and thus therefore some ABS investments may include leveraged ABS. The Subfund may also make investments in agency backed RMBS derivatives, including inverse interest-only securities.

ABS, MBS, and CMBS are not listed on exchanges and are regulated by the Securities Act and the Securities Exchange Act of 1934. Secondary trades are executed in over-the-counter markets.

The Subfund may invest in fixed income instruments of emerging market countries. The Sub-Investment Manager has broad discretion to identify countries that it considers to qualify as emerging markets. In making investments in emerging market securities, the Subfund emphasizes those countries with relatively low gross national product per capital and with the potential for rapid economic growth. Emerging market countries are generally located in Asia, Africa, the Middle East, Latin America and Eastern Europe. The Board will identify target countries where it may invest.

For risk management and investment purposes, the Subfund may establish long or short positions in a variety of financial derivative and other instruments. Such instruments include, among others:

- Futures contracts, forward contracts and options;
- Options on fixed income and other securities;
- Swaps, including, without limitation;
- Interest rate swaps;
- Total rate of return swaps;
- Credit default swaps ("CDS");
- Caps and floors on options thereon ;
- CDS on leveraged loans, which are debt obligations of a corporate borrower that are not investment grade. Typically, loans comprise the most senior debt in a corporation's capital structure with contractual language requiring repayment ahead of all other creditors. Leveraged loans are structured to include a lien against the assets of the borrower, allowing the lender to take possession of the asset in the event of a default. Leveraged loans carry floating rate coupons and tend to have maturities that are shorter than typical high yield bonds. The Subfund will establish exposure to CDS on leveraged loans through the LCDX index and shall ensure that the index is diversified and compliant with regulations at all time.

Credit Quality

Under normal market conditions, the average credit quality of the Subfund's portfolio will range from single-B to single-A. There is no minimum credit rating, however, for any individual security, and certain securities in which the Subfund invests may not be rated.

Leverage

The Subfund may employ a variety of leveraging techniques. These financing techniques generally permit the Subfund to establish a gross asset position larger than net assets. Please refer to "Method for Measuring Global Exposure of Subfund – Leverage" for a further explanation of leverage the Subfund may employ.

Pricing

Debt securities with a residual maturity of more than one year and other securities which are not listed on an official stock exchange, but tracked on another regulated market which is recognized, open to the public and operating regularly that are owned by the Subfund are valued as of the close of business every Friday using composite prices ("Composite Prices") from up to five different market vendors.

Risk Considerations:

Lack of operating history; Past performance is no indication of future performance. The Subfund is newly formed, and there can be no assurance that the Subfund will achieve its investment objective. The past performance of the Investment Manager and the Sub-Investment Manager cannot be construed as an indication of the future results of an investment in the Subfund.

Basis Risk. Basis risk is the risk that changes in the value of a hedge instrument will not completely offset changes in the value of the assets and liabilities being hedged. Basis risk may occur in many ways. For example, a hedge transaction may rise in value by \$100 in response to higher interest rates. At the

same time, the security being hedged could decline in value by \$102 in response to the same market factor — higher interest rates —and other factors unique to those assets including credit risks that might be reflected in the assets' value. As a result, the hedge would not fully cover the loss in value of the security caused by higher rates since a \$2 differential would exist between the gain in value on the hedge and the assets' loss in value. The \$2 differential reflects basis risk. Basis risk can manifest itself in other ways; when a small change in interest rates occurs, for example, both the hedge transaction and the hedged assets could decline in value, although by different amounts.

Credit Risk. An issuer of securities may be unable to pay principal and interest when due, or the value of the security may suffer because investors believe the issuer is less able to pay. Lower rated securities, while usually offering higher yields, generally have more risk and volatility because of reduced creditworthiness and greater chance of default.

Interest Rate and Maturity Risk. The market prices of the Subfund's fixed-income investments may decline due to an increase in market interest rates. Generally, the longer the maturity or duration of a fixed-income investment, the more sensitive it is to changes in interest rates. The Subfund's hedging positions are not designed to generate profits that in every situation will fully offset the losses on the positions that would occur from changes in interest rates. The Subfund's hedging positions will be designed only to minimize the Subfund's interest rate exposure within the Subfund's duration parameter established by the Sub-Investment Manager. Sufficiently large and sudden movements in interest rates could result in substantial losses. In the current interest-rate environment, the profitability of certain fixed income strategies may be materially diminished

Liquidity. Liquidity risk exists when particular investments are difficult to sell. The ability of the Subfund to meet redemption applications will depend on numerous factors including the ability of the Subfund to timely liquidate its investments, some of which may be thinly traded. Investments in derivatives, and securities having small market capitalization, substantial market and/or credit risk tend to involve greater liquidity risk. Recent adverse developments in the market for residential MBS and CMBS, particularly those backed by subprime mortgage loans, have substantially reduced—and in some cases virtually eliminated—liquidity in that market. Future adverse developments could result in the complete inability of the Subfund to either acquire or dispose of its investments. This could present a problem in realizing the prices quoted and in effectively trading the position(s). In addition to, and separate from any general weakening of the financial markets, the Subfund will always bear the risk that the market for certain securities and financial instruments could become illiquid.

Pricing Risk. Certain securities (described under "Pricing" above) owned by the Subfund are valued as of the close of business every Friday using "Composite Prices." Composite Prices are determined by combining data from up to four market data vendors. Market data vendors do not make markets in securities and instead determine their prices by aggregating information from other market participants. Accordingly, price indications received from market data vendors may differ from the prices at which the securities could be liquidated and these differences could be material.

Asset Allocation. While the Sub-Investment Manager intends to allocate the Subfund's assets among a number of asset classes (provided they are in line with applicable regulations), there are no fixed allotments. The asset allocation rules may be deviated from the first six months after authorization from the CSSF. Although the Subfund seeks a diversified portfolio of investments, during this six month period there is a risk that one of the investments may have a disproportionate share of the Subfund's assets

Prepayment Risk. Prepayment risk is the risk that principal will be repaid at a different rate than anticipated, causing the return on a security purchased to be less than expected. ABS, which represent an interest in a pool (such as credit card receivables, automobile loans or home equity loans), present this risk, as do MBS, as described in "Risks Related to Trading In Mortgage-Backed Securities – Prepayment Considerations." In general, when market interest rates decline, such assets are refinanced, and ABS are paid off earlier than expected, which would force the Subfund to reinvest the proceeds at current yields, which would be lower than those paid by the security that was paid off. When market interest rates increase, the market values of ABS decline. At the same time, however, refinancing slows, which lengthens the effective maturities on these securities. As a result, the negative effect of the rate increase on the market value of ABS is often more pronounced than it is for other types of fixed-income securities.

Equities. Equity investments (including real estate investment trusts, or "REITs") may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. There are no absolute restrictions in regard to the size or operating experience of the companies in which the Subfund may invest. In addition, relatively small companies in which the Subfund may invest may lack management depth or the ability to generate internally, or obtain

externally, the funds necessary for growth, and companies with new products or services could sustain significant losses if projected markets do not materialize.

Convertible Securities. Convertible securities are subject to the usual risks associated with debt securities, such as interest rate risk and credit risk. Convertible securities also react to changes in the value of the common stock into which they convert. Because the value of a convertible security can be influenced by both interest rates and the common stock's market movements, a convertible security generally is not as sensitive to interest rates as a similar debt security, and generally will not vary in value in response to other factors to the same extent as the underlying common stock. In the event of a liquidation of the issuing company, holders of convertible securities would typically be paid before the company's common stockholders but after holders of any senior debt obligations of the company. The Subfund may be forced to convert a convertible security before it otherwise would choose to do so, which may decrease the Subfund's return.

Foreign Currency; Currency Hedging. The reference currency of the Subfund is USD, although the share classes of the Subfund are denominated in EUR and USD. An investor who generally holds its assets in one or more currencies other than the currency in which the shares it holds are denominated should consider that the currency exchange rate(s) between the applicable shares' currency and the investor's currency or currencies may fluctuate in an unfavourable manner. In addition, the Subfund may make investments that are denominated in one or more currencies other than USD. The Subfund reserves the right to enter into currency hedging transactions on behalf of the non-USD share classes and in connection with any non-USD investments, in each case to seek to mitigate such currency fluctuations, but there can be no assurance such transactions will be entered into or, if they are entered into, that they will be successful. Further, any such currency hedging transactions that are entered into by the Subfund may be terminated at any time by the Subfund if such termination is deemed by the Sub-Investment Manager in its judgment to be in the best interests of the Subfund. Any income or loss attributable to any currency conversions and/or hedging activity for any share class of the Subfund will be allocated to such share class. It is intended that the costs and expenses incurred as a result of, and any income or loss attributable to, any currency conversions and/or hedging activities related to a particular investor, shall be borne by (in the case of costs and expenses) and allocated to (in the case of income or loss) such investor, including, without limitation, costs and expenses incurred, and income or loss generated, after a redemption by such investor and prior to the payment of all related redemption proceeds. The success of any hedging arrangements entered into by the Subfund is subject to the ability of the Sub-Investment Manager to correctly hedge against movements in the direction of currency rates and the Subfund's ability to meet any currency hedging transaction collateral posting and settlement requirements. Therefore, while the Subfund may enter into such transactions to seek to reduce currency exchange rate risks, unanticipated changes in currency rates may result in a poorer overall performance for certain share classes than if the Subfund had not engaged in any such hedging transactions. Efforts to meet collateral posting and settlement requirements arising under any such currency hedging transactions (and any failure to meet these requirements) may affect the Subfund generally and other share classes. A lack of available liquidity may also cause the Subfund to limit the scope of any currency hedging program or terminate it altogether. Volatility in the foreign currency markets may have a negative impact on the liquidity and/or performance of the Subfund.

Hedging Transactions. The Subfund may implement a hedge overlay program for risk management purposes (i.e., offsetting the exposure in the Subfund's portfolio). Any hedge overlay program implemented by the Subfund would involve net long positions (but not net short positions) of put or call options or other derivative-type instruments that are otherwise consistent with the requirements of Directive 2009/65/EC. With regard to option instruments, the Subfund may buy or sell (write) both call options and put options (either exchange-traded, over-the counter or issued in private transactions), but it will not sell (write) any "naked" options. Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument on which they are purchased or sold. A put option gives the purchaser of the option the right to sell, and the seller the obligation to buy, the underlying security, index, currency, interest rate or other instrument at the exercise price. A call option gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price. In the event that the Subfund buys a call option, a decrease (or inadequate increase) in the price, and/or a decrease in the volatility, of the underlying instrument could result in a total loss of the Subfund's investment in the option (including the cost or premium paid), and in the event that the Subfund buys a put option, an increase (or inadequate decrease) in the price, and/or a decrease in the volatility, of the underlying instrument could result in a total loss of the Subfund's investment in the option (including the cost or premium paid).

Borrowings/Leverage. The Subfund may employ various forms of leverage, using such instruments as forwards, futures, options and other derivative contracts. While leverage presents opportunities for increasing total return, it also increases the risk of potential losses. This is because leverage tends to exaggerate the effect of any increase or decrease in the value of the Subfund's holdings. The use of leverage may

also cause the Subfund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations. The Subfund may take on leveraging risk by using reverse repurchase agreements, dollar rolls and other borrowings, by investing collateral from loans of portfolio securities, through the use of when-issued, delayed-delivery or forward transactions, or by selling securities short using derivatives. Losses from short sales are potentially unlimited.

Inherent Leverage of Investment Interests. The Subfund is exposed to the inherent leverage of its investments in the mezzanine tranches, equity interests and residuals of MBS, as such assets represent highly leveraged exposure to the collateral of such issuers (*i.e.*, a highly leveraged investment in commercial or residential mortgage loans or other fixed income securities). As a result, the likelihood that such assets will continue to make payments to the Subfund and the price at which the Subfund may dispose of such assets will be subject to greater volatility than if such assets were more senior in the structure. The Sub-Investment Manager has responsibility for determining the seniority of the assets which it purchases and thus, the degree of leverage embedded in such assets. To the extent the Sub-Investment Manager elects to purchase assets with greater seniority, the maximum potential returns will be reduced.

General Risks Relating to Investments in Derivatives. The Subfund may use derivative instruments, including contracts for differences, futures and options. The values of these instruments are volatile, market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against positions held, thereby causing substantial losses. These instruments may not be traded on exchanges but rather through an informal network of banks and dealers. These banks and dealers have no obligation to make markets in these instruments and may apply essentially discretionary margin and credit requirements forcing the close out of positions. In addition, such instruments carry the additional risk of failure to perform by the counterparty to the transaction.

Risks Relating to Investments in Over-the-Counter Derivatives. Many of the markets in which investments in the Subfund are effected are "over-the-counter" or "inter-dealer" markets. The participants in these markets are subject to limited credit evaluation and regulatory oversight as are members of "exchange based" markets. Over-the-counter derivative transactions entail a credit risk of settlement default with regard to the counterparty. These risks may differ materially from those involved in exchange-traded transactions which are generally characterised by clearing organisation guarantees, daily marking-to-market and settlement and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from these protections, which in turn may be subject to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract or because of a credit or liquidity problem. Such "counterparty risk" is increased for contracts with longer maturities when events may intervene to prevent settlement. The inability to transact business with any one or any number of counterparties, the lack of any independent evaluation of the counterparties or their financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses.

The Subfund may invest in derivative securities. Derivative securities are generally synthetic securities created out of other securities or derivatives. When investing in derivative securities, in addition to the risks of the underlying investments, the Subfund usually has a contractual relationship only with the counterparty of such derivative security, and not with the reference obligor of the reference obligation. Consequently, the Subfund will be subject to the credit risk of the counterparty as well as that of the reference obligor. As a result, concentrations of derivative securities in any one counterparty subject such securities to an additional degree of risk with respect to defaults by such counterparty as well as by the reference obligor.

Swap Transactions. The Subfund may periodically enter into transactions in the forward or other markets that could be characterized as swap transactions and which may involve interest rates, fixed-income and other securities, currencies and other items. A swap transaction generally is an individually negotiated, non-standardized agreement between two parties to exchange cash flows based on different interest rates, exchange rates, or prices, with payments calculated by reference to a principal ("notional") amount or quantity. Transactions in these markets present certain risks similar to those in the futures, forward, and options markets, including:

- (i) there generally are no limitations on daily price moves in swap transactions;
- (ii) participants in the swaps markets are not required to make continuous markets in swaps contracts;
- (iii) performance with respect to a swap contract that is not cleared is the responsibility only of the counterparty with which the trader has entered into a contract (or its guarantor, if any), and not of any exchange or clearing corporation. As a result, the Subfund is subject to the risk of the

inability or refusal to perform with respect to such contracts on the part of the counterparties with which the Subfund trades; and

- (iv) CDS with the "pay as you go" feature may require reimbursement by the buyer of credit protection payments by the seller to be made for up to a year after the swap terminates and also the seller may have to make multiple credit protection payments to the extent the reference obligation is not fully performing.

Historically, swaps were subject to little regulation; however, the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which was passed in 2010, includes provisions that require increased regulation of derivatives markets. The Dodd-Frank Act has introduced mandatory execution and clearing of certain swaps, as well as new recordkeeping and reporting requirements. In addition, the Dodd-Frank Act established position limits for certain swaps. This increased regulation may increase the costs of entering into certain transactions. As key provisions of the Dodd-Frank Act require rulemaking by the U.S. Securities and Exchange Commission (the "SEC") and the U.S. Commodity Futures Trading Commission (the "CFTC"), not all of which has been finalized as of the date of this Prospectus, investors should expect future changes in the regulatory environment for derivatives.

Futures Interest Trading Is Volatile, Highly Leveraged and May Be Illiquid. Futures and forward contract prices, and the prices of the related contracts in which the Subfund may trade, are highly volatile. Such prices are influenced by, among other things: changing supply and demand relationships; government trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific intention of influencing such prices. The effect of such intervention is often heightened by a group of governments acting in concert. For example, it is possible that an exchange, the CSSF or the CFTC may suspend trading in a particular futures contract, order immediate liquidation and settlement of a particular futures contract, or order that trading in a particular contract be conducted for liquidation only. Similarly, trading in options on a particular futures contract may become restricted if trading in the underlying futures contract has become restricted.

Although numerous other factors have significant influence on the markets in which the Subfund trades, these markets are, in general, interest-rate sensitive.

Furthermore, the low margin deposits normally required in futures contract trading permit an extremely high degree of leverage. As an added risk in these volatile and highly leveraged markets, it is not always possible to liquidate futures positions to prevent further losses or recognize unrealized gains. Illiquidity can arise due to daily price limits taking effect or market disruptions. The inability to liquidate futures positions creates the possibility of the Subfund being unable to control its losses.

Credit Default Swaps. The Subfund may transact in credit derivatives contracts — primarily CDS — both for hedging, investment and other purposes. The Subfund may also transact in CDS on a basket of reference entities, which might or might not be a part of a synthetic collateralized debt obligation transaction.

As a buyer of CDS, the Subfund is subject to certain risks in addition to those described under "General Risks Relating to Investments in Derivatives" above. When investing in CDS, in addition to the risks of the underlying investments, the Subfund usually has a contractual relationship only with the counterparty of such CDS, and not with the reference obligor of the reference obligation. Consequently, the Subfund is subject to the credit risk of the counterparty as well as that of the reference obligor. As a result, concentrations of CDS and other derivatives with any one counterparty subject such securities to an additional degree of risk with respect to defaults by such counterparty as well as by the reference obligor. In circumstances in which the Subfund does not own the debt securities that are deliverable under a credit default swap, the Subfund will be exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called "short squeeze." In certain instances of issuer defaults or restructurings, it has been unclear under the standard industry documentation for CDS whether or not a "credit event" triggering the seller's payment obligation had occurred. In either of these cases, the Subfund may not be able to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of CDS, the Subfund incurs leveraged exposure to the credit of the reference entity and is subject to many of the same risks it would incur if it were holding debt securities issued by the reference entity. However, the Subfund will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity's debt obligations. In addition, the credit default swap buyer may have broad discretion to select which of the reference entity's debt obligations to deliver to the Subfund following a credit event and will likely choose the obligations with the lowest market value.

Further, the Subfund may employ pay-as-you-go CDS. Pay-as-you-go CDS are a new type of credit default swap developed to incorporate the unique structures of structured finance securities. In June 2007, the International Swaps and Derivatives Association, Inc. ("ISDA") published its latest form confirmation for pay-as-you-go credit default swaps referencing CDO securities. While ISDA has published its form confirmation and has published and supplemented the 2003 ISDA Credit Derivatives Definitions as published by ISDA (the "Credit Derivatives Definitions") in order to facilitate transactions and promote uniformity in the credit default swap market, the credit default swap market is expected to change and the "pay-as-you-go" credit default swap forms and the Credit Derivatives Definitions and terms applied to credit derivatives are subject to interpretation and further evolution.

As a result of the continued evolution of the ISDA pay-as-you-go credit default swap forms, the credit default swap confirmations may differ in the future because of future market standards. Such a result may have a negative impact on the liquidity and market value of the investment assets subject to pay-as-you-go CDS.

Furthermore, the Credit Derivatives Definitions may contain ambiguous provisions that are subject to interpretation and may result in consequences that are adverse to the Subfund or investors in the Shares. In addition to the credit risk of the reference obligations and/or reference entities and the credit risk of the related credit derivative swap counterparty, the Subfund is also subject to the risk that the Credit Derivatives Definitions could be interpreted in a manner that would be adverse to the Subfund or investors in the Shares or that the credit derivatives market generally may evolve in a manner that would be adverse to the Subfund or investors in the Shares.

Forward Trading. The Sub-Investment Manager engages in trading forward contracts on behalf of the Subfund. A forward contract is a contract to purchase securities for a fixed price at a future date beyond customary settlement time. Prior to settlement, the Subfund's investment exposure from such transactions is similar to that of an equivalent investment funded with short-term borrowings. Such forward positions which produce economic leverage may increase overall investment exposure and involve a risk of loss if the value of the securities declines prior to the settlement date. Forward contracts are not traded on exchanges; rather, banks and dealers act as principals in these markets. Accordingly, the Subfund is subject to the risk of the inability or refusal to perform with respect to such contracts on the part of such counterparties. Further, there is no limitation on the daily price movements of forward contracts. Principals in the forward markets have no obligation to continue to make markets in the forward contracts traded. The imposition of credit controls by governmental authorities might limit such forward trading to less than that which the Sub-Investment Manager would otherwise recommend, to the possible detriment of the Subfund.

Emerging Market Securities Involve Substantial Risks. The Subfund may invest in securities issued by companies or governments in developing countries or in countries with new or developing capital markets ("Emerging Markets"). The economies of many Emerging Markets countries are in the early stages of modern development, and are subject to abrupt and unexpected change. In many cases, these governments retain a high degree of direct control over the economy and may take actions having sudden and widespread effects. The value of the Subfund's investments may be adversely affected by political developments in the country of issuance. Risks of investing in Emerging Markets may include (i) lack of liquidity and price volatility, (ii) expropriation, nationalization and confiscatory taxation actions, (iii) political, social and financial instabilities, and (iv) fluctuations in the exchange rate between the U.S. dollar and the currencies in the Emerging Markets.

Many Emerging Markets countries lack strong infrastructure. Telecommunications may be relatively slow, and banks and other financial systems may not be well-developed or well-regulated. These countries may have considerable debt, which adversely affects their economies with a corresponding impact on the performance of their markets. Emerging Markets countries tend to have periods of high inflation and high interest rates as well as substantial volatility in interest rates.

The Emerging Markets securities invested in by the Subfund may lack a liquid trading market, which may result in the inability of the Subfund to sell such security or to close out a transaction, thereby forcing the Subfund to incur losses.

Accounting, auditing and financial reporting standards in Emerging Markets are generally not equivalent to those applicable in more developed countries. Obligations on companies in Emerging Markets to publish financial information may also be limited.

Securities Markets in Emerging Market Countries. The Subfund may purchase and sell securities through exchanges and markets located in Emerging Markets. Such exchanges and their member firms might not be subject to a significant level of regulation. Clearing and settlement procedures on exchanges

located in Emerging Markets may be significantly different from the procedures applicable in more developed markets, and it is possible that such procedures may delay settling transactions. Such delays may cause the Subfund to miss profit opportunities or to incur losses. Costs for transactions in Emerging Markets may be generally higher than comparable costs in developed markets.

Emerging Market Government Issued Debt. The Subfund may invest in debt issued or guaranteed by governments in Emerging Markets. Investment in such debt may involve a high degree of risk. The government that controls the repayment of the debt may be unable or unwilling to repay the principal and/or interest when due in accordance with the terms of such debt. A government's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the relative size of the debt service burden to the economy as a whole, and the political constraints to which such government may be subject. An Emerging Market government may be dependent on financing from other foreign governments, agencies, organizations or lenders. The commitment on the part of these other parties to finance the Emerging Market government may be conditioned on the government's implementation of economic reforms and/or economic performance and the timely servicing of the government's obligations. Failure by the Emerging Market government to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of the third parties' commitments to lend funds to the government, which may further impair such government's ability or willingness to timely service its own debts. In the event of a default by an Emerging Market government, there may be few or no effective legal remedies for collecting on such debt.

High-Yield Debt. The Subfund may invest, either directly or indirectly through the Subfund's investment in synthetic securities, in high-yield debt securities. The prices of high-yield debt securities with lower ratings or which are unrated tend to be more volatile than higher rated fixed-income debt securities, as adverse economic events are likely to have a greater impact on the prices of high-yield debt than on higher rated fixed-income debt. High-yield debt may be speculative regarding the issuer's ability to make payments of principal and interest. Investment in high-yield debt involves substantial risk. Issuers of high-yield debt may be highly leveraged and may not have available more traditional methods of financing. Therefore, the risks associated with acquiring the securities of such issuers generally are greater than is the case with higher rated debt. During an economic downturn or a sustained period of rising interest rates, issuers of high-yield debt may not have sufficient revenues to meet their interest payment obligations. The issuer's ability to service its debt may be adversely affected by the unavailability of additional financing. The risk of loss due to default by the issuer is significantly greater for holders of high-yield debt because such securities may be unsecured and may be subordinated to other creditors of the issuer.

Investment Grade Debt Securities. Investment grade debt securities are investment grade rated obligations that have credit ratings that are intended to reflect (but will not necessarily reflect) relatively less credit risk than high yield debt securities or mezzanine debt securities. Risks of investment grade debt securities may include (among others): (i) marketplace volatility resulting from changes in prevailing interest rates, (ii) the absence, in many instances, of collateral security, and (iii) the declining creditworthiness and the greater potential for insolvency of the issuer of such investment grade debt securities during periods of rising credit spreads and/or interest rates and/or economic downturn.

Trust Preferred Securities. The Subfund may invest in trust preferred securities. A trust preferred or capital security is a fixed-income security with preferred features. The preferred features are that payment of interest can be deferred without initiating a default event. Trust preferred securities may be subject to mandatory prepayment under certain circumstances. The market values of trust preferred securities may be more volatile than those of conventional debt securities. Trust preferred securities may be issued in reliance on Rule 144A under the Securities Act, and until registered, are restricted securities; there can be no assurance as to the liquidity of trust preferred securities and the ability of holders of trust preferred securities to sell their holdings.

Repurchase Agreements. A repurchase agreement is a contract under which the Subfund acquires a security for a relatively short period (usually not more than one week) subject to the obligation of the seller to repurchase and the Subfund to resell such security at a fixed time and price (representing the Subfund's cost plus interest). It is the Subfund's present intention to enter into repurchase agreements only with commercial banks and registered broker-dealers and only if the securities can be rehypothecated by the Subfund. The Sub-Investment Manager will monitor such transactions to determine that the value of the underlying securities is at least equal at all times to the total amount of the repurchase obligation, including the interest factor. If the seller defaults, the Subfund could realize a loss on the sale of the underlying security to the extent that the proceeds of sale including accrued interest are less than the resale price provided in the agreement including interest. In addition, if the seller should be involved in bankruptcy or insolvency proceedings, the Subfund may incur delay and costs in selling the underlying security or may suffer a loss of principal and

interest if the Subfund is treated as an unsecured creditor and required to return the underlying collateral to the seller's estate.

Reverse Repurchase Agreements and Dollar Roll Agreements. The Subfund may enter into reverse repurchase agreements and dollar roll agreements with commercial banks and registered broker-dealers to seek to enhance returns. Reverse repurchase agreements involve sales by the Subfund of portfolio assets concurrently with an agreement by the Subfund to repurchase the same assets at a later date at a fixed price. Until the assets are repurchased by the Subfund, the Subfund continues to receive any principal and interest payments on the assets and may have the opportunity to earn a return on the collateral (if any) furnished by the counterparty to secure its obligation to redeliver the assets to the Subfund.

Dollar rolls are transactions in which the Subfund sells securities for delivery in the current month and simultaneously contracts to repurchase substantially similar (same type and coupon) securities on a specified future date. During the roll period, the Subfund forgoes principal and interest paid on the securities. The Subfund is compensated by the difference between the current sales price and the forward price for the future purchase (often referred to as the "drop") as well as by the interest earned on the cash proceeds of the initial sale. If the broker-dealer to whom the Subfund sells the security becomes insolvent, the Subfund's right to repurchase the security may be restricted. Other risks involved in entering into mortgage dollar rolls include the risk that the value of the security may change adversely over the term of the mortgage dollar roll and that the security the Subfund is required to repurchase may be worth less than the security that the Subfund originally held.

Futures Contracts. A financial futures contract is similar to a forward contract with respect to a specified financial instrument or index but it is always exchange traded. Under a financial futures contract, one party (the "seller") agrees to sell, and a second party (the "buyer") agrees to purchase, a particular instrument or the basket of instruments that comprises a particular index on a specified date in the future. A futures contract is standardized and normally settled in cash. If the Subfund wants to decrease the market value sensitivity of its portfolio, it might sell financial futures contracts. Conversely, if the objective were to increase market value sensitivity, the Subfund might buy financial futures contracts.

The value of a futures contract tends to increase and decrease in tandem with the value of its underlying instrument or index. Therefore, purchasing futures contracts will tend to increase the Subfund's exposure to positive and negative price fluctuations in the underlying instrument or index, much as if it had invested in the underlying instrument or index directly. When the Subfund sells a futures contract, by contrast, the value of its futures position will tend to move in a direction contrary to the underlying instrument or index. Selling futures contracts, therefore, will tend to offset both positive and negative market price changes, much as if the underlying instrument or index had been sold.

Asset-Backed Securities. ABS which represent an interest in a pool of assets such as credit card receivables, automobile loans or home equity loans, have yield and maturity characteristics corresponding to their underlying assets. Unlike traditional debt securities, which may pay a fixed rate of interest until maturity when the entire principal amount comes due, payments on certain ABS include both interest and a partial payment of principal. This partial payment of principal may be comprised of a scheduled principal payment as well as an unscheduled payment from the voluntary prepayment, refinancing or foreclosure of the underlying loans. As a result of these unscheduled payments of principal, or prepayments on the underlying securities, the price and yield of ABS can be adversely affected. For example, during periods of declining interest rates, prepayments can be expected to accelerate. Prepayments of loans that underlie securities purchased at a premium could result in capital losses because the premium may not have been fully amortized at the time the obligation is prepaid. In addition, like other interest-bearing securities, the values of ABS generally fall when interest rates rise, but when interest rates fall, their potential for capital appreciation is limited due to the existence of the prepayment option.

Investing in more senior securities issued by structured finance vehicles will involve similar risks, although the exposure of the Subfund to such risks will be in the context of a more senior position

Repackaged Securities. The Subfund may invest in trust certificates or similar securities of the type generally considered to be "repackaged securities". In a repackaging transaction, the terms of existing securitizations are pooled and structured, with changes in seniority, notional amount, coupon, maturity and waterfall priority. The cash flows of the existing debt are used to support restructured debt securities to achieve the desired ratings. Moreover, investing in repackaged securities may entail a variety of unique risks. Among other risks, repackaged securities may be subject to prepayment risks, credit risk, liquidity risk, market risk, structural risk, legal risk and interest rate risk (which may depend upon any associated interest rate hedging agreement providing for the exchange of interest accruing on the security being repackaged into interest stated to be payable on the trust certificate or similar securities). In addition, the performance of a repackaged security

will be affected by a variety of factors, including the level and timing of payments and recoveries on, and the characteristics of the underlying collateral, and the remoteness of those assets from the originator or transferor and the adequacy of, and the ability to realize upon, any related collateral.

U.S. Government Securities. Securities issued by the United States government and its agencies are subject to market and interest rate risk, and may be subject to varying degrees of credit risk. While U.S. Treasury obligations are backed by the full faith and credit of the U.S. Government, securities issued by U.S. Government agencies or government-sponsored entities may not be backed by the full faith and credit of the U.S. Government.

Futures Margin Payments. The purchaser or seller of a futures contract is not required to deliver or pay for the underlying instrument unless the contract is held until delivery date, and it is not cash settled. However, when the contract is entered into, a purchaser or seller is required to deposit "initial margin" with a futures broker, known as a futures commission merchant ("FCM"). Initial margin deposits are typically a percentage of the contract's value. If the value of the purchaser's or seller's position declines, that party will be required to make additional "variation margin" payments to settle the change in value on a daily basis. A party that has a gain may be entitled to receive all or a portion of this amount. Initial and variation margin payments do not constitute purchasing securities on margin. In the event of the bankruptcy of an FCM that holds margin on behalf of the Subfund, the Subfund may be entitled to return of the margin owed to it only in proportion to the amount received by the FCM's other customers, potentially resulting in losses to the Subfund.

Risks Associated with Correlation of Price Changes. Because there are a limited number of types of exchange-traded option and future contracts, it is likely that the standardized contracts available will not match the Subfund's current or anticipated market exposure directly. The Subfund may invest in options and futures contracts based on securities with different maturities or other characteristics from the securities or market in which they typically invest, which involves a risk that the options or futures position will not track the performance of the Subfund's targeted market, index or investments.

Options and futures prices can also diverge from the prices of their underlying instruments, even if the underlying instruments match the Subfund's investments well. Options and futures prices are affected by such factors as current and anticipated short-term interest rates, changes in volatility of the underlying instrument, and the time remaining until expiration of the contract, which may not affect security prices the same way. Imperfect correlation may also result from differing levels of demand in the options and futures markets versus the securities markets, from structural differences in how options and futures and securities are traded, or from the imposition of daily price fluctuation limits or trading halts. The Subfund may purchase or sell options or futures contracts with a greater or lesser value than the securities it wishes to hedge or intends to purchase in order to attempt to compensate for differences in volatility between the contract and the securities, although this may not be successful in all cases. If price changes in the Subfund's options or futures positions are poorly correlated with its other investments, the positions may fail to produce anticipated gains or result in losses that are not offset by gains in other investments.

Swaps, Caps, Floors and Collars. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their nature, swap agreements may increase or decrease exposure to interest rates, credit risk, stock indices, mortgage securities, or other factors such as bond indices.

In a typical cap or floor agreement, one party agrees to make payments only under specified circumstances, usually in return for payment of a fee by the other party. For example, the purchase of an interest rate cap entitles the purchaser, to the extent that a specified index exceeds a predetermined interest rate, to receive payments of interest on a notional principal amount from the party selling such interest rate cap. The purchase of an interest rate floor entitles the purchaser, to the extent that a specified index falls below a predetermined interest rate, to receive payments of interest on a notional principal amount from the party selling such interest rate floor. An interest rate collar combines the elements of purchasing a cap and selling a floor. The collar protects against an interest rate rise above the maximum amount, but gives up the benefits of an interest rate decline below the minimum amount.

There can be no assurance that the Subfund will be able to enter into swaps, caps, floors or collars on favorable terms. Furthermore, there can be no assurance that the Subfund will be able to terminate a swap or sell or offset caps, floors or collars notwithstanding any terms in the agreements providing for such termination.

If there is default by the other party to such a transaction, the Subfund will have contractual remedies pursuant to the agreements related to the transaction. There is no assurance that swap, cap, floor or collar counterparties will be able to meet their obligations pursuant to their contracts, or that, in the event of

default, the Subfund will succeed in pursuing contractual remedies. The Subfund thus assumes the risk of being delayed in or prevented from obtaining payments owed to the Subfund pursuant to swaps, caps, floors or collars.

Leveraged Loans. The Subfund may invest in CDS on leveraged loans via the LCDX index, including distressed, stressed and par/near par leveraged loans. Leveraged loans are not traded on regulated exchanges, are not registered with U.S. or other governmental authorities and are not subject to the rules of any self-regulatory organization.

Credit Ratings. Credit ratings of debt securities represent rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value, therefore, they may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of investments will be used by the Investment Manager and Sub-Investment manager only as a preliminary indicator of investment quality. Investments in non-investment grade and comparable unrated obligations will be more dependent on the Sub-Investment Manager and Investment Manager's credit analysis than would be the case with investments in investment-grade debt obligations.

Investment Statistical Default Rates. Reliable sources of statistical information do not exist with respect to the default rates for many of the types of debt securities eligible to be purchased by the Subfund. In addition, historical economic performance of a particular type of debt security is not necessarily indicative of its future performance. **PROSPECTIVE PURCHASERS OF THE SUBFUND SHARES SHOULD CONSIDER AND ASSESS FOR THEMSELVES THE LIKELY LEVEL OF DEFAULTS ON THE INVESTMENTS OF THE SUBFUND, AS WELL AS THE LIKELY LEVEL AND TIMING OF RECOVERIES ON SUCH INVESTMENTS.**

Risks Related to Trading in Mortgage-Backed Securities

Mortgage-Backed Securities In General. Mortgage-backed securities or "MBS" are securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to ensure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from mortgage loans secured by real estate. MBS have yield and maturity characteristics corresponding to their underlying assets. Unlike traditional debt securities, which may pay a fixed rate of interest until maturity when the entire principal amount comes due, payments on certain MBS (principally relating to residential mortgages) include both interest and a partial payment of principal. This partial payment of principal may be comprised of a scheduled principal payment as well as an unscheduled payment from the voluntary prepayment, refinancing, or foreclosure of the underlying loans. As a result of these unscheduled payments of principal, or prepayments on the underlying securities, the price and yield of MBS can be adversely affected. For example, during periods of declining interest rates, prepayments can be expected to accelerate, and the Subfund would be required to reinvest the proceeds at the lower interest rates then available. Prepayments of mortgages that underlie securities purchased at a premium could result in capital losses because the premium may not have been fully amortized at the time the obligation is prepaid. In addition, like other interest-bearing securities, the values of MBS generally fall when interest rates rise, but when interest rates fall, their potential for capital appreciation is limited due to the existence of the prepayment option. There are no geographic, credit or other restrictions with respect to the mortgage collateral which may be collateralized. MBS are also subject to basis risk as described above.

Prepayment Considerations. The performance of any MBS and the results of hedging arrangements entered into with respect thereto will be affected by (a) the rate and timing of principal payments on the underlying mortgage loans related to such MBS and (b) the extent to which such principal payments are applied to reduce, or otherwise result in the reduction of, the principal or notional amount of such MBS. The rate of principal payments on a pool of mortgage loans will in turn be affected by the amortization schedules of the loans (which, in the case of adjustable-rate loans, may change periodically to accommodate adjustments to the mortgage rates thereon) and the rate of principal prepayments thereon (including for this purpose, voluntary prepayments by borrowers and prepayments resulting from liquidations of mortgage loans due to defaults, casualties or condemnations affecting the related properties).

The extent of prepayments of principal of the mortgage loans underlying an MBS may be affected by a number of factors, including, without limitation, the availability of mortgage credit, the relative economic vitality of the area in which the related properties are located, the servicing of the mortgage loans, possible changes in tax laws, other opportunities for investment, homeowner mobility and other economic, social, geographic, demographic and legal factors. In general, any factors that increase the attractiveness of selling a mortgaged property or refinancing a mortgage loan, enhance a borrower's ability to sell or refinance or increase the likelihood of default under a mortgage loan, would be expected to cause the rate of prepayment in respect of a pool of mortgage loans to accelerate. In contrast, any factors having an opposite effect would be

expected to cause the rate of prepayment of a pool of mortgage loans to slow. At any one time, a portfolio of MBS may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the residential mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations.

Especially in the case of CMBS, the rate of principal payments on the loans in the related pool will also be affected by the nature and extent of any restrictions on prepayments that are set forth in the mortgage loans, and the extent to which such provisions may be enforced. Such restrictions may include a prohibition on prepayments for specified periods of time and/or requirements that principal prepayments be accompanied by the payment of prepayment penalties or be subject to yield maintenance premiums.

The rate of prepayment on a pool of mortgage loans is likely to be affected by prevailing market interest rates for mortgage loans of a comparable type, term and risk level. When the prevailing market interest rate is below a mortgage coupon, a borrower generally has an increased incentive to refinance its mortgage loan. Even in the case of adjustable-rate mortgage loans, as prevailing market interest rates decline, and without regard to whether the mortgage rates on such loans decline in a manner consistent therewith, the related borrowers may have an increased incentive to refinance for purposes of either (i) converting to a fixed rate loan and thereby "locking in" such rate or (ii) taking advantage of a different index, margin or rate cap or floor on another adjustable rate mortgage loan. Therefore, as prevailing market interest rates decline, prepayment speeds would be expected to accelerate.

In the case of an MBS related to multifamily or commercial loans, prevailing market interest rates, the outlook for market interest rates and economic conditions generally may cause some borrowers to sell their properties in order to realize their equity therein, to meet cash flow needs or to make other investments. In addition, some borrowers may be motivated by U.S. federal and state tax laws (which are subject to change) to sell their properties prior to the exhaustion of tax depreciation benefits.

Interest Rate Exposure Not Eliminated by the Subfund's Hedging. The Subfund's hedging will attempt to maximize the Subfund's income while holding variations in the Subfund's Net Assets within a tolerable range. The Subfund's hedging positions are not designed to generate profits that in every situation will fully offset the losses on the Subfund's mortgage-backed positions that would occur from changes in interest rates. The Subfund's hedging is designed only to minimize the Subfund's interest rate exposure within certain parameters established by the Investment Manager as investment manager of the Subfund. Sufficiently large and sudden movements in interest rates could result in substantial losses, possibly the loss of the Shareholders' entire investment.

Collateral Risk. When using reverse repurchase agreements to fund the purchase of MBS, the investor faces a certain amount of collateral risk. The higher the degree of leverage obtained, the greater the chance of a collateral call resulting from changes in the market value of the mortgage assets used as collateral. Such a situation, requiring the pledging of additional means or securities, is most often caused by a sudden increase in the level of interest rates. Generally, if an appropriate hedging strategy is followed, the decrease in the value of the mortgages will be substantially, if not fully, offset by the hedging vehicle.

Residential MBS. The origination and servicing of mortgage loans underlying residential MBS may be subject to various U.S. federal and state laws and regulations with respect to interest rates and other charges, or may require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and debt collection practices and may limit the servicer's ability to collect all or part of the principal of or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it or subject the servicer to damages and sanctions. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity.

If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

At any one time, the portfolio of residential MBS purchased by the Subfund may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the residential mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations. In addition, the residential mortgage loans may include so-called "jumbo"

mortgage loans, having an original principal balance that is higher than is generally the case for residential mortgage loans. As a result, the related mortgaged properties may have a more limited market than those securing average-sized residential mortgage loans.

Each underlying residential mortgage loan in an issue of residential MBS purchased by the Subfund may have a balloon payment due at its maturity date. Balloon residential mortgage loans involve a greater risk to a lender than self-amortizing loans because the ability of the borrower to pay such amount will normally depend on its ability to obtain refinancing of the related mortgage loan or sell the related mortgaged property at a price sufficient to permit the borrower to make the balloon payment, which will depend on a number of factors prevailing at the time such refinancing or sale is required, including, without limitation, the strength of the residential real estate markets, tax laws, the financial situation and operating history of the underlying property, interest rates, and general economic conditions. If the borrower is unable to make such balloon payment, the related issue of residential MBS may experience losses.

Subprime Residential MBS. In recent years, borrowers have increasingly financed their homes with new mortgage loan products, which in many cases have allowed them to purchase homes that they might otherwise have been unable to afford. Many of these new products feature low monthly payments during the initial years of the loan that can increase (in some cases, significantly) over the loan term. There is little historical data with respect to these new mortgage loan products, especially during a period of increased delinquencies or defaults for such mortgage loan products. Consequently, as borrowers face potentially higher monthly payments for the remaining terms of their loans, it is possible that, combined with other economic conditions such as increasing interest rates and deterioration of home values, borrower delinquencies and defaults could exceed levels anticipated.

Recently, the residential mortgage market in the United States has experienced a variety of difficulties and changed economic conditions that may adversely affect the performance of the Subfund. Delinquencies and losses with respect to residential mortgage loans are at an elevated level, and may continue to increase in the near future. In addition, house prices and appraised values in many states have declined or stopped appreciating, after extended periods of significant appreciation. A continued decline or an extended flattening of those values may result in additional increases in delinquencies and losses on residential mortgage loans generally, particularly with respect to second homes and investor properties and with respect to any residential mortgage loans whose aggregate loan amounts (including any subordinate liens) are close to or greater than the related property values.

Another factor that may have contributed to, and may in the future result in, higher delinquency rates is the increase in monthly payments on adjustable rate mortgage loans. Borrowers with adjustable payment mortgage loans are being exposed to increased monthly payments when the related mortgage interest rate adjusts upward from the initial fixed rate or a low introductory rate, as applicable, to the rate computed in accordance with the applicable index and margin. This increase in borrowers' monthly payments, together with any increase in prevailing market interest rates, may result in significantly increased monthly payments for borrowers with adjustable rate mortgage loans.

Borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. A decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance, and in addition, many mortgage loans have prepayment penalties that add to the cost of refinancing. Furthermore, borrowers who intend to sell their homes on or before the expiration of the fixed rate periods on their mortgage loans may find that they cannot sell their properties for an amount equal to or greater than the unpaid principal balance of their loans. These events, alone or in combination, may contribute to higher delinquency rates and therefore potentially higher losses.

In addition, certain subprime mortgage originators have recently become subject to preliminary injunctions or relief, or other adverse actions brought by borrowers, regulators and other governmental authorities. Such actions may include requirements to provide loan modifications against other parties. If this occurred, and if such injunctions and other proceedings and actions restrict the servicer's ability to service the mortgage loans in accordance with the related transaction documents, including the servicer's ability to exercise remedies against defaulted mortgage loans, delinquencies and losses may be higher than would otherwise be the case, and amounts received with respect to the mortgage loans could be reduced.

Delinquent or Defaulted Residential MBS. The pools of re-performing and non-performing sub-prime, or "scratch-and-dent," mortgage loans securing or backing the MBS purchased by the Subfund may include mortgage loans that are either currently delinquent or have been delinquent in the past. Mortgage loans with a history of delinquencies are more likely to experience delinquencies in the future, even if these mortgage loans are current at the time of purchase.

Commercial Mortgage-Backed Securities. Commercial mortgage-backed securities, or "CMBS," are securities backed by obligations (including participation interests in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, apartments, cooperatives, nursing homes and senior living centers. CMBS have been issued in public and private transactions by a variety of public and private issuers using a variety of structures, including senior and subordinated classes. Risks affecting real estate investments include general economic conditions, the condition of financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The cyclicity and leverage associated with real estate-related investments have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other investments. In addition, commercial mortgage loans generally are nonrecourse loans, lack standardized terms, tend to have shorter maturities than residential mortgage loans and may provide for the payment of all or substantially all of the principal only at maturity. In some cases, the properties securing commercial mortgage loans may be subject to additional debt that may affect the related borrower's ability to refinance the loan or result in reduced cash flow and deferred maintenance. Additional risks may be presented by the type and use of a particular commercial property. For instance, commercial properties that operate as hospitals and nursing homes may present special risks to lenders due to the significant governmental regulation of the ownership, operation, maintenance and financing of health care institutions. Hotel and motel properties are often operated pursuant to franchise, management or operating agreements which may be terminable by the franchisor or operator; and the transferability of a hotel's operating, liquor and other licenses upon a transfer of the hotel, whether through purchase or foreclosure, is subject to local law requirements. All of these factors increase the risks involved with commercial real estate lending. Commercial properties tend to be unique and are more difficult to value than single-family residential properties. Commercial lending is generally viewed as exposing a lender to a greater risk of loss than residential one-to four-family lending since it typically involves larger loans to a single borrower or related borrowers than residential one- to four-family lending.

Commercial mortgage lenders typically look to the debt service coverage ratio of a loan secured by income-producing property as an important measure of the risk of default on such a loan. Commercial property values and net operating income are subject to volatility, and net operating income may be sufficient or insufficient to cover debt service on the related mortgage loan at any given time. The repayment of loans secured by income-producing properties is typically dependent upon the successful operation of the related real estate project rather than upon the liquidation value of the underlying real estate or the existence of independent income or assets of the borrower. Furthermore, the net operating income from and value of any commercial property may be adversely affected by risks generally incidental to interests in real property, including events which the borrower or manager of the property, or the issuer or servicer of the related issuance of CMBS, may be unable to predict or control, such as changes in general or local economic conditions and specific industry segments; declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies; acts of God; acts of war; acts of terrorism; and social unrest and civil disturbances. The value of commercial real estate is also subject to a number of laws, such as laws regarding environmental clean-up and limitations on remedies imposed by bankruptcy laws and state laws regarding foreclosures and rights of redemption.

A commercial property may not readily be converted to an alternative use in the event that the operation of such commercial property for its original purpose becomes unprofitable. In such cases, the conversion of the commercial property to an alternative use would generally require substantial capital expenditures. Thus, if the borrower becomes unable to meet its obligations under the related commercial mortgage loan, the liquidation value of any such commercial property may be substantially less, relative to the amount outstanding on the related commercial mortgage loan, than would be the case if such commercial property were readily adaptable to other uses. The exercise of remedies and successful realization of liquidation proceeds may be highly dependent on the performance of CMBS servicers or special servicers, of which there may be a limited number and which may have conflicts of interest in any given situation.

Mortgage loans underlying a CMBS issue may lack regular amortization of principal, resulting in a single "balloon" payment due at maturity. If the underlying mortgage borrower experiences business problems, or other factors limit refinancing alternatives, such balloon payment mortgages are likely to experience payment delays or even default.

Structural and Legal Risks of Commercial and Residential MBS. Legal risks can arise as a result of the procedures followed in connection with the origination of the mortgage loans for an issue of residential MBS or the servicing thereof, each of which may be subject to various U.S. federal and state laws,

public policies and principles of equity that protect consumers, which among other things may regulate interest rates and other charges, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and regulate debt collection practices. Violation of certain provisions of these laws, public policies and principles may limit the servicer's ability to collect all or part of the principal of or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions. Any such violation could result also in cash flow delays and losses on the related issue of residential MBS.

Violations of consumer protection laws may result in losses on residential MBS. Applicable state laws generally regulate interest rates and other charges, require licensing of originators and require specific disclosures. In addition, other state laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of the loans backing residential MBS. Depending on the provisions of the applicable law and the specific facts and circumstances involved, violations of these laws, policies and principles may limit the ability of the issuer of an residential MBS to collect all or part of the principal of or interest on the underlying loans, may entitle a borrower to a refund of amounts previously paid and, in addition, could subject the owner of a mortgage loan to damages and administrative enforcement. The mortgage loans backing a residential MBS are also subject to various U.S. federal laws.

Failure to comply with state and U.S. federal consumer protection laws and related statutes could subject the lenders under the mortgage loans backing a residential MBS to specific statutory liabilities, and may limit the ability of an issuer of a residential MBS to collect all or part of the principal of or interest on the related underlying mortgage loans or subject such issuer to damages and administrative enforcement.

In addition, a number of legislative proposals have been introduced at both the U.S. federal, state and municipal level that are designed to discourage predatory lending practices. Some states have enacted, or may enact, laws or regulations that prohibit inclusion of some provisions in mortgage loans that have mortgage rates or origination costs in excess of prescribed levels, and require that borrowers be given certain disclosures prior to the consummation of such mortgage loans. In some cases, state law may impose requirements and restrictions greater than those under U.S. federal law. An originator's failure to comply with these laws could subject the issuer of a residential MBS to monetary penalties and could result in the borrowers rescinding the loans underlying such residential MBS.

Structural and legal risks of CMBS and residential MBS include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), the assets of the issuer could be treated as never having been truly sold by the originator to the issuer and could be substantively consolidated with those of the originator, or the transfer of such assets to the issuer could be voided as a fraudulent transfer. Challenges based on such doctrines could result also in cash flow delays and losses on the related issue of CMBS or residential MBS.

In some cases, liability of a lender under a mortgage loan may affect subsequent assignees of such obligations, including the issuer of a residential MBS. In particular, a lender's failure to comply with certain U.S. federal laws could subject such lender and its assignees to monetary penalties and could result in rescission. Numerous class action lawsuits have been filed in multiple states alleging violations of these statutes and seeking damages, rescission and other remedies. These suits have named the originators and current and former holders, including the issuers of related residential MBS. If an issuer of residential MBS included in the investments of the SubFund were to be named as a defendant in a class action lawsuit, the costs of defending or settling such lawsuit or a judgment could reduce the amount available for distribution on the related residential MBS. In such event, the Subfund, as holder of such residential MBS, could suffer a loss.

Some of the mortgage loans backing a residential MBS may have been underwritten with, and finance the cost of, credit insurance. From time to time, originators of mortgage loans that finance the cost of credit insurance have been named in legal actions brought by U.S. federal and state regulatory authorities alleging that certain practices employed relating to the sale of credit insurance constitute violations of law. If such an action was brought against such issuer with respect to mortgage loans backing such residential MBS and were successful, it is possible that the borrower could be entitled to refunds of amounts previously paid or that such issuer could be subject to damages and administrative enforcement.

In addition, numerous U.S. federal and state statutory provisions, including the U.S. federal bankruptcy laws, and state debtor relief laws, may also adversely affect the ability of an issuer of a residential MBS to collect the principal of or interest on the loans, and holders of the affected residential MBS may suffer a loss if the applicable laws result in these loans becoming uncollectible.

It is not expected that CMBS or residential MBS (other than the residential agency MBS) will be guaranteed or insured by any governmental agency or instrumentality or by any other person. Amounts received from CMBS and residential MBS will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans.

It is expected that some of the CMBS and residential MBS owned by the Subfund may be subordinated to one or more other senior classes of securities of the same series for purposes of, among other things, offsetting losses and other shortfalls with respect to the related underlying commercial mortgage loans. In addition, in the case of CMBS and certain residential MBS, no distributions of principal will generally be made with respect to any class until the aggregate principal balances of the corresponding senior classes of securities have been reduced to zero. As a result, the subordinate classes are more sensitive to risk of loss and write-downs than senior classes of such securities.

Financial Difficulties of Residential MBS Servicers. Residential MBS may provide that the servicer is required to make advances in respect of delinquent mortgage loans. However, servicers experiencing financial difficulties may not be able to perform these obligations. Servicers who have sought bankruptcy protection may, due to application of the provisions of bankruptcy law, not be required to advance such amounts. Even if a servicer were able to advance amounts in respect of delinquent mortgage loans, its obligation to make such advances may be limited to the extent that it does not expect to recover such advances due to the deteriorating credit of the delinquent mortgage loans. In addition, a servicer's obligation to make such advances may be limited to the amount of its servicing fee.

Recently, a number of originators and servicers of mortgage loans have experienced serious financial difficulties and, in some cases, have entered bankruptcy proceedings. These difficulties have resulted in part from declining markets for their mortgage loans as well as from claims for repurchases of mortgage loans previously sold under provisions that require repurchase in the event of early payment defaults or for breaches of representations regarding loan quality. Delinquencies and losses on, and, in some cases, claims for repurchase by the originator of, mortgage loans originated by some mortgage lenders have recently increased as a result of inadequate underwriting procedures and policies, including inadequate due diligence, failure to comply with predatory and other lending laws and, particularly in the case of any "low documentation" or "limited documentation" mortgage loans that may support residential MBS, inadequate verification of income and employment history. Delinquencies and losses on, and claims for repurchase of, mortgage loans originated by some mortgage lenders have also resulted from fraudulent activities of borrowers, lenders and appraisers including misstatements of income and employment history, identity theft and overstatements of the appraised value of mortgaged properties. Such financial difficulties may have a negative effect on the ability of servicers to pursue collection on mortgage loans that are experiencing increased delinquencies and defaults and to maximize recoveries on sale of underlying properties following foreclosure. The inability of the originator to repurchase such mortgage loans in the event of early payment defaults and other loan representation breaches may also affect the performance of residential MBS backed by those mortgage loans.

Under certain circumstances, including a failure to perform its servicing obligations or a bankruptcy of the servicer, investors will be entitled to remove and replace the existing servicer. There is no guarantee, however, that a suitable servicer could be found to assume the obligations of the existing servicer, and the transition of servicing responsibilities to a replacement servicer could have an adverse effect on performance of servicing functions during or following a transition period and a resulting increase in delinquencies and losses and decreases in recoveries. There can be no assurance that originators and servicers of mortgage loans will not continue to experience serious financial difficulties or experience such difficulties in the future, including becoming subject to bankruptcy proceedings, or that underwriting procedures and policies and protections against fraud will be sufficient in the future to prevent such financial difficulties or significant levels of default or delinquency on mortgage loans.

Transfers of mortgage loans by the originator or seller will be characterized in the applicable sale agreement as a sale transaction. Nevertheless, in the event of a bankruptcy of the originator or seller, the trustee in bankruptcy could attempt to recharacterize the sale of the mortgage loans as a borrowing secured by a pledge of the mortgage loans. If such attempt were successful, the trustee in bankruptcy could prevent the trustee for the residential MBS from exercising any of the rights of the owner of the mortgage loans and also could elect to liquidate the mortgage loans. Investors may suffer a loss to the extent that the proceeds of the liquidation of the underlying mortgage loans would not be sufficient to pay amounts owed in respect of their investments. If this occurs, investors would lose the right to future payments of interest and may fail to recover their initial investment. Regardless of whether a trustee elects to foreclose on the underlying mortgage loan pool, delays in payments on their investments and possible reductions in the amount of these payments could occur.

Risk of Government Action. The rise in the rate of foreclosures of properties backing subprime loans in certain states may prompt legislators, regulators and attorney generals in such states to try to prevent certain foreclosures and bring lawsuits against participants in the financing of subprime loans in their states, including issuers of residential MBS backed by such loans and investors in such residential MBS, including the Subfund.

Judicial and Governmental Actions Affecting Foreclosures. The recent rise in the rate of foreclosures of properties has resulted in legislative, regulatory and enforcement actions seeking to prevent or restrict foreclosures. Actions have also been brought against issuers and underwriters of residential mortgage-backed securities collateralized by such residential mortgage loans. Future legislative or regulatory initiatives by federal, state or local legislative bodies or administrative agencies, if enacted or adopted, could delay foreclosure or the exercise of other remedies, provide new defenses to foreclosure, or otherwise impair the ability of the loan servicer to foreclose or realize on a defaulted residential mortgage loan included in a pool of residential mortgage loans backing such residential mortgage-backed securities. The nature or extent of any future limitations on foreclosure or exercise of other remedies that may be enacted is uncertain. Governmental actions that interfere with the foreclosure process, for example, could increase the costs of such foreclosures or exercise of other remedies, delay the timing or reduce the amount of recoveries on defaulted residential mortgage loans and securities backed by such residential mortgage loans owned by the Subfund, and could adversely affect the yields on the mortgage-related securities owned by the Subfund and could have the effect of reducing returns to the Subfund that have invested in mortgage-related securities collateralized by these residential mortgage loans.

A foreclosure of a defaulted mortgage loan may also be delayed due to compliance with statutory notice or service of process provisions, difficulties in locating necessary parties or legal challenges to the mortgagee's right to foreclose. Furthermore, courts in some cases have imposed general equitable principles upon foreclosure generally designed to relieve the borrower from the legal effect of default and have required lenders to undertake affirmative and expensive actions to determine the causes for the default and the likelihood of loan reinstatement. In addition to anti-deficiency and related legislation, numerous other U.S. federal and state statutory provisions, including the federal bankruptcy laws and state laws affording relief to debtors, may interfere with or affect the ability of a secured mortgage lender to enforce its security interest. If a court relieves a borrower's obligation to repay amounts otherwise due on a mortgage loan, the mortgage loan servicer will not be required to advance such amounts, and any loss may be borne by the holders of securities backed by such loans. In addition, numerous federal and state consumer protection laws impose penalties for failure to comply with specific requirements in connection with origination and servicing of mortgage loans.

Finally, as part of the review of the foreclosure process, some market observers have raised questions about the validity of the process by which the trusts that issue mortgage-backed securities recorded ownership of the mortgages by the trust. Deficiencies in this process could result in mortgage-backed trusts being found not to have title to the mortgages thought to be owned by the trusts, which would likely have a significantly adverse effect on the value of the securities issued by the trusts.

Limited Recourse of Non-Agency MBS and Low Rated or Unrated Fixed Income Securities; Associated Risks. To the extent that the Subfund invests in non-Agency MBS, such securities and the mortgage loans underlying them generally are not insured or guaranteed by any governmental entity, private insurer or any other person. In addition, investors should consider all of the mortgage loans underlying such securities to be non-recourse loans as to which recourse in the case of default will be limited primarily to the related mortgaged property.

Investments in non-Agency MBS may expose the Subfund to additional or greater risks, including:

- (i) **Lack of Liquidity.** The secondary market for non-Agency MBS lacks liquidity. The Subfund may be unable to sell or otherwise dispose of a non-Agency MBS at times when it wishes to do so, even after a related hedging arrangement has terminated or expired.
- (ii) **Risks of Loss.** The payment experience of non-Agency MBS generally depends on the extent to which mortgagors on the underlying mortgage loans repay their mortgage loans and the value of the properties securing those loans. Payment experience may be adversely affected by any concentration of loans secured by properties located in a particular geographic region, loans representing obligations of a particular borrower or its affiliates, loans secured by a particular type of property and/or other concentrations. In addition, losses could arise if a material amount of properties turn out to have had environmental contamination. If a material amount of loans underlying an MBS become the subject of foreclosure proceedings, distributions on the MBS may be reduced on account of taxes imposed on rents from real property.

Short Sales. The Subfund may use cash-settled derivatives to seek exposure to short sales of securities. Selling securities short entails the risk of losing an amount greater than the proceeds received. Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. Amendments to or changes in interpretation of existing laws, rules and regulations of applicable jurisdictions with respect to short selling may cause the Subfund to incur certain expenses in order to achieve compliance with such changes. In addition, any such changes may adversely affect the ability of the Subfund to pursue its investment objectives.

Options. The Subfund may use options in furtherance of its investment objectives. Options positions may include both long positions, where the Subfund is the holder of put or call options, as well as short positions, where the Subfund is the seller (writer) of an option. Although option techniques can increase investment return, they can also involve a relatively high level of risk. The expiration of unexercised long options effectively results in loss of the entire cost, or premium paid for the option. Conversely, the writing of an uncovered put or call option can involve, similar to short selling, a theoretically unlimited risk of an increase in the cost to the Subfund of selling or purchasing the underlying securities, commodities or other instruments in the event of exercise of the option.

Reliance On Key Personnel. The success of the Subfund depends upon the ability of the Sub-Investment Manager to select and invest the Subfund's assets that meet the Subfund's individual investment objective. If the Sub-Investment Manager should lose the services of certain key personnel, its ability to perform its responsibilities might be impaired.

Decisions Based Upon Fundamental Analysis May Not Result in Profitable Trading. The Sub-Investment Manager uses a fundamental, research-intensive approach. The risk of such fundamental analysis is that it may not result in profitable trading because the Sub-Investment Manager may not have knowledge of all factors affecting a particular investment or hedging instrument. These unknown factors may or may not be reflected in the Sub-Investment Manager's past performance, and may affect the future performance of the Subfund.

Market risks. The Subfund will be exposed to risks typically incurred when investing in financial instruments. Volatility and lack of liquidity in the financial markets generally may also negatively impact the performance of the Subfund. The value of a security may decline due to general market conditions which are not specifically related to a company or industry, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. In addition, the markets in which the Subfund trades may, subject to applicable law and regulation, change significantly in the future, perhaps with adverse consequences to the trading of the Sub-Investment Manager.

Recent Global Financial Developments. Global financial markets have experienced a sharp increase in volatility during recent years. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. Notwithstanding that central banks as well as global governments are attempting to restore liquidity to the global economies, no assurance can be given that these efforts will abate the combined impact of the significant revaluations and constraints on the availability of credit on the economies around the world in the near to medium term.

Changes in Trading Approach. The Sub-Investment Manager, with the consent of the Investment Manager, Subfund and Management Company, may alter its approach in the event that it determines that such change is in the best interests of the Subfund. The Investment Manager will notify Shareholders in writing in a timely manner of any changes which it considers to be material in the trading approaches it uses for the Subfund.

Possible Adverse Effects of Increasing Assets Managed. Advisory firms are limited in the amount of assets that they can successfully manage by both the difficulty of executing substantially larger trades in order to reflect larger assets under management and the restrictive effects of market illiquidity. The rates of return recognized on the trading of a limited amount of assets may have little relationship to those an adviser can reasonably expect to achieve trading larger amounts of funds. The Investment Manager has not agreed to limit the amount of additional assets that it may manage. There can be no assurance that additional assets accepted by the Investment Manager will not adversely affect the Investment Manager's strategies.

Monitoring of Leverage. The Investment Manager and Sub-Investment Manager have responsibility for controlling the leverage of the Subfund. The current leveraging of the Subfund and any subsequent "up-" or "de-leveraging" will be based on difficult and subjective evaluations of market conditions,

trading performance and risk exposure. If the Investment Manager and Sub-Investment Manager de-leverage, the upside potential of the Subfund will be reduced. If, on the other hand, the Investment Manager and Sub-Investment Manager do not de-leverage when necessary, the Subfund's, performance may be adversely affected.

Other Clients of the Investment Manager. The Investment Manager and Sub-Investment Manager manage other accounts, some of which it may have incentives to favor over the Subfund. The Sub-Investment Manager and Investment Manager are not subject to any absolute restrictions on taking new accounts, which could increase the competition for its time and adversely impact the performance of the Subfund.

Moreover, each of the Investment Manager and Sub-Investment Manager has a fiduciary duty to the Shareholders to exercise good faith and fairness in all dealings affecting the Subfund and, if the underlying assets of the Subfund are considered for purposes of the Employee Retirement Income Security Act of 1974, as amended (the "ERISA") or Section 4975 of the United States Internal Revenue Code to be assets of employee benefit plans or other plans, to comply with the fiduciary provisions of ERISA with respect to the assets of the Subfund.

Reliance on Corporate Management and Financial Reporting. Some of the strategies implemented by the Subfund rely on the financial information made available by the issuers of securities in which the Subfund invests. The Investment Manager and Sub-Investment Manager have no ability to independently verify the financial information disseminated by the issuers in which the Subfund invests and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Recent events have demonstrated the material losses which investors can incur as a result of corporate (as well as government agency) mismanagement, fraud and accounting irregularities.

Portfolio Turnover. The Subfund has not placed any limits on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in the opinion of the Sub-Investment Manager, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate and may involve different tax consequences.

Income. An investment in the Subfund is not suitable for an investor seeking an income from such investment.

Changes in Investment Strategies. The Sub-Investment Manager may alter its investment strategies, without prior approval by the Shareholders and subject to the right of the Shareholders to redeem, if the Subfund's directors and the Sub-Investment Manager determine that such change is in the best interest of the Subfund.

Limited Rights of Shareholders. Shareholders will have no right to participate in the management or control of Subfund or their operations other than class meetings convened to sanction any material adverse variation of class rights attaching to Shares of a particular class or classes.

Ability To Redeem May Be Limited. Although Shareholders may request the Subfund to redeem any or all of their Shares on any redemption day at the applicable redemption price, certain restrictions apply in certain circumstances.

Effect of Substantial Redemptions. Substantial redemptions from the Subfund could require the Subfund to liquidate its positions more rapidly than otherwise desired in order to obtain the cash necessary to fund the redemptions. Illiquidity in certain markets could make it difficult for the Subfund to liquidate positions on favourable terms, thereby potentially resulting in a decrease in its assets and its profitability. In these circumstances, the non-redeeming Shareholders will bear a disproportionate risk of any decline in the value of the Subfund's assets subsequent to the redemptions.

Limitations of Hedging Techniques and Unhedged Positions. The Subfund may employ hedging techniques to reduce the risk of investment positions. There is a risk that such techniques will not always be available and, when available, will not always be effective in limiting losses. Investment strategies may also entail taking substantial unhedged positions.

Taxation. The tax laws of each jurisdiction that may be applicable to an investor in the Subfund may change in the future and any such changes could affect the value of such investor's investment. Please refer to the section entitled "*Taxation*" in this Prospectus for a discussion of certain tax considerations and risks that are inherent in the acquisition of shares in the Subfund.

Accounting Standards. Various accounting standards, including, without limitation, Accounting Standards Codification Topic 740 ("ASC 740") (formerly known as "FIN 48"), could cause the Subfund to be required to reserve for certain expenses or taxes or could otherwise impact the Net Asset Value of

the Subfund. A prospective Shareholder should be aware that, among other things, these accounting standards could have a material adverse effect on the periodic calculations of the Net Asset Value of the Subfund, including reducing the Net Asset Value of the Subfund to reflect reserves for expenses or taxes that may be payable in respect of prior periods by the Subfund. This could adversely affect certain Shareholders, depending upon the timing of their purchase and redemption of Shares.

Regulation. The regulation of securities, forward, futures and options trading is a constantly changing area of the law. The various statements in this prospectus are subject to modification by legislative action and changes in the rules and regulations of the European Union, the CSSF, commodity exchanges, and other regulatory bodies. The effect of regulatory change on the Subfund, while impossible to predict, could be substantial and adverse.

Valuation Risk. Valuations of the Subfund's securities and other investments may involve uncertainties and judgmental determinations, and if such valuations should prove to be incorrect, the Net Asset Value of the Subfund could be adversely affected. All decisions on the valuation of assets and liabilities and determination of Net Asset Value shall be made by, or under, the overall direction of the Board of Directors. The Board of Directors has delegated the calculation of the Net Asset Value and the Net Asset Value per Share to the Administrative Agent, subject to oversight by the Board of Directors. Determinations of Net Asset Value will be conclusive and binding, and may affect the amount of the Management and Incentive Fees. It is expected that each Shareholder will be provided by the Subfund with a daily indicative report setting forth the estimated Net Asset Value of each Class of Shares as of the close of each Business Day, generally within two (2) Business Days following such Business Day. Such daily reports will be based on estimated information. Accordingly, such daily reports are provided as a courtesy to Shareholders, but none of the Subfund, the Management Company, the Investment Manager, the Administrative Agent and their affiliates will make any representations and warranties with respect to the accuracy of such reports, and Shareholders are cautioned not to rely on the accuracy of such daily Net Asset Values in making investment decisions.

Trading Costs. The Subfund may engage in a high rate of trading activity resulting in correspondingly high costs being borne by the Subfund.

Possible Indemnification Obligations. The Subfund is generally obligated to indemnify the Investment Manager, the Sub-Investment Manager, the Management Company, the Administrator, and possibly other parties in connection with their providing certain services under the various agreements entered into with such persons or entities against any liability they or their respective affiliates may incur in connection with their relationship with the Subfund

Fees. The Subfund is directly subject to expenses as discussed herein. Such fees and expenses, in the aggregate may exceed the fees and expenses that would typically be incurred by an investor making a direct investment in a fund directly managed by the Sub-Investment Manager. Performance-based compensation arrangements may create an incentive for the Investment Manager and/or the Sub-Investment Managers to make investments that are more risky or more speculative than would be the case if such arrangements were not in effect. At each Valuation Day, the NAV per share of each share class of the Subfund will include the accrual of any Incentive Fee with respect to such valuation period based on realized and unrealized gains and losses.

Equalisation Credit Risk. For Classes of Shares that apply equalization, if a shareholder subscribes for such a class of shares at a time when the Gross Net Asset Value per Share (as defined below) of the relevant class is higher than the Prior High NAV (as defined below), then a portion of the subscriber's investment will be allocated to establish an Equalisation Credit as more fully described in "Incentive Fee – Equalisation" below. The amount of such Equalisation Credits will not be invested for the benefit of the subscriber in the Subfund and any unrecovered Equalisation Credits at the time of redemption of the applicable shares will be forfeited.

Incentive Fee Risk. For Classes of Shares that do not apply equalization, performance related incentive fees may be incurred by a shareholder which are not precisely based on appreciation in NAV of their particular shares. By consequence, some shareholders will receive a benefit while others will incur an effective loss of value, due to the absence of series accounting or equalization procedures.

Political and/or Regulatory Change. Future changes to applicable law or regulation or uncertainties arising from political developments, changes in government policies, taxation or restrictions on foreign investment and currency repatriation may adversely affect the performance of the Subfund.

Changes in Exchange Rates. The performance of the Subfund could be adversely affected by changes and volatility in exchange rates.

Counterparty Exposure. The Subfund may invest directly and indirectly in securities and other financial instruments that involve counterparties. The terms of these contracts are often customized and complex, and many of these arrangements occur in markets or relate to products that are not subject to regulatory oversight. The Subfund portfolio is subject to the risk that the counterparty to one or more of these contracts defaults, either voluntarily or involuntarily, on its performance under the contract. Any such default may occur rapidly and without notice. Risk-management models may not accurately anticipate the impact of market stress or counterparty financial condition, and as a result, it may not be possible to take sufficient action to reduce risks effectively for the Subfund. In the event of a counterparty default, particularly a default by a major investment bank, the Subfund could incur material losses.

Forward contracts are traded exclusively in the off-exchange market of dealers and banks. There are no clearing corporations in this market. In its forward trading, the Subfund will be subject to the risk of the bankruptcy of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Subfund trades. However, the Subfund intends to engage in forward trading only with large, well-capitalized banks and dealers. The Sub-Investment Manager may place forward trades for the Subfund through agents, so that the insolvency or bankruptcy of such parties could also subject the Subfund to the risk of loss.

Bankruptcy or fraud at one of these institutions could impair the operational capabilities or the capital position of the Subfund. The Subfund attempts to limit its investment transactions to well-capitalized and established banks and brokerage firms in an effort to mitigate such risks.

Service Providers Exposure. The Subfund relies on third party service providers such as custodian banks and administrative agents. Any default or wrongdoing from any of these providers could affect their performance and therefore impact the performance of the Subfund.

Forward-Looking Statements. This section may contain forward-looking statements. Forward-looking statements in this section made with respect to the Subfund's investment strategy or related matters reflect the views of the Sub-Investment Manager. Actual results could differ materially from those in the forward-looking statements as a result of factors beyond the Subfund's control. Investors are cautioned not to place undue reliance on such statements.

Investment Manager

Gottex Asset Management (UK) Limited (the "Investment Manager"), a subsidiary of Gottex Fund Management S.à r.l. ("Gottex Fund Management") will serve as the Investment Manager of the Subfund.

The Investment Manager is a company incorporated and existing under the laws of England, whose principal place of business is at 5 Savile Row, London, W1S 3PD, United Kingdom. The Investment Manager is authorised and regulated by the Financial Conduct Authority (formerly known as the Financial Services Authority) with authorisation number 195960.

In the future, the Investment Manager may, in accordance with applicable laws and regulations and with the consent of the Board of Directors and the Management Company, assign its investment management responsibilities to Gottex Fund Management or another affiliate.

Founded in 1992, Gottex Fund Management provides alternative investment solutions and advisory services to its clients on a global basis and as of 31 December 2012 managed US\$6.99 billion. Gottex Fund Management serves its clients from offices in Europe, North America and Asia. It employs approximately 100 people, including investment professionals in offices strategically located around the world. This allows Gottex Fund Management to combine in-depth local knowledge of financial markets and investors with the strength of a global presence and infrastructure. Gottex Fund Management is a registered investment adviser regulated by the U.S. Securities and Exchange Commission.

Sub-Investment Manager

The Investment Manager, with the prior approval of the Management Company and the CSSF, will appoint Smith Breeden Associates, Inc. as the Sub-Investment Manager (the "Sub-Investment Manager").

The Sub-Investment Manager, founded in 1982 is a company incorporated and existing under the laws of Kansas, whose principal place of business is at 280 South Magnum Street, Suite 301, Durham, North Carolina 27701, United States of America. The Sub-Investment Manager provides investment advice, management services and portfolio management services to individually managed accounts for high net worth individuals, banking and thrift institutions, investment companies, pensions and profit sharing plans, pooled investment vehicles, state and municipal government entities, foundations and insurance funds. The Sub-Investment Manager is authorised and regulated by the United States Securities and Exchange Commission.

As of January 31, 2013 the Sub-Investment Manager managed \$6.027 billion and employed 57 people. The investment management team comprises nine individuals with more than 180 years combined experience and investing across different sectors and countries.

The Sub-Investment Manager will provide discretionary investment advice to the Subfund and will execute all trades on behalf of the Subfund.

The biography of the portfolio manager of the Sub-Investment Manager is listed below:

Jonathan Duensing
Portfolio Manager

Jonathan M. Duensing, CFA is a Principal and Senior Portfolio Manager at Smith Breeden Associates, Inc. Mr. Duensing heads the Corporate Credit Investment Team and is the Senior Portfolio Manager responsible for the firm's credit related absolute return portfolios. Prior to joining Smith Breeden in 1996, Mr. Duensing was the Credit Officer for a member bank of Old National Bancorp. He became a Chartered Financial Analyst (CFA) charter holder in 1999. Mr. Duensing holds a Bachelor of Arts in Finance from the University of Illinois, Urbana-Champaign, graduating with distinction and departmental honors.

Platform Operator

Gottex Asset Management (UK) Limited will also serve as the Fund's platform operator (the "Platform Operator") and will provide certain monitoring and other platform operation services with respect to the Subfund, including, without limitation, negotiating and monitoring compliance with various service provider agreements and related trading agreements, monitoring the Sub-Investment Manager's compliance with certain risk guidelines and investment restrictions, monitor and approve cash and securities movements from the Subfund's bank accounts, assessing counterparty credit risk, reviewing the computation of monthly calculations of the Subfund's estimated Net Asset Value reported by the Administrative Agent and reviewing on a sample basis the daily indicative Net Asset Value reported by the Administrative Agent. The Platform Operator, on behalf of the Subfund, shall establish limits (the "Counterparty Credit Limits") on the counterparty credit risk between the Subfund and each of its trading counterparties from time to time, and shall monitor the Sub-Investment Managers' compliance with such Counterparty Credit Limits. The Platform Operator shall be entitled to a fee described below in the section "Platform Operator Fee". The Platform Operator may, with the consent of the Fund delegate its functions to another party, including an affiliate.

Investments in the GOTTEX SICAV – Smith Breeden Fixed Income Credit Relative Value Fund

General Information:

	Ref. currency	Maximum annual management fees	Annual incentive fee [1]	Initial subscriptions [2]	Subsequent subscriptions	Targeted Investors	Use Equalization/ Clearstream Eligible	Apply German tax transparent reporting
Class A	EUR	1.50%	20%	€10,000	€1,000	All investors	Yes/No	Yes
Class AA	EUR	1.50%	20%	€10,000	€1,000	All investors	No/Yes	Yes
Class BB	EUR	1.00%	15%	€500,000	€25,000	Institutional investors	No/Yes	Yes
Class J	USD	1.00%	15%	\$500,000	\$25,000	Institutional investors	Yes/No	No
Class JJ	USD	1.00%	15%	\$500,000	\$25,000	Institutional investors	No/Yes	No
Class S	USD	0.60%	15%	\$1,000,000	\$25,000	Institutional seed investors	Yes/No	No
Class SS	USD	0.60%	15%	\$1,000,000	\$25,000	Institutional seed investors	No/Yes	No

[1] Annual incentive fee is charged as described below.

[2] Subscription orders must be received by the Fund's Administrative Agent by 3 p.m. Luxembourg time at least 5 Business Days prior to the relevant Subscription Day.

- **Classes of shares:**

The Subfund currently offers the following seven classes of shares: A, AA, BB, J, JJ, SS and S. which differ by their level of management fee, incentive fees, reference currency, use of equalization or targeted investors: Class A and AA are open to retail investors, Class BB, J and JJ are open to institutional investors, and Class S and SS are only open to institutional seed investors. Class A will make use of German tax transparent reporting (except for *Aktiengewinn*) and will use equalization accounting. Class AA and BB will make use of German tax transparent reporting (except for *Aktiengewinn*) but will not use equalization accounting.

The Subfund may close any of the foregoing share classes to further subscriptions, and offer one or more new share classes, in accordance with applicable laws and regulations and with the consent of the Board of Directors and the Management Company.

- **Reference currency:**

The reference currency of the Subfund is USD. This is the currency in which the Net Asset Value of the Subfund is calculated.

Share classes S, SS, JJ and J of the Subfund are denominated in USD. Share Classes AA, BB and A of the Subfund are denominated in EUR. These are the currencies in which the Net Asset Value per share of the relevant classes is calculated and in which subscription moneys and redemption proceeds are payable. To the extent that investments may be made by the Subfund in currencies other than USD or EUR, investors will be exposed to foreign exchange movements between such currencies and the USD or EUR.

Investors in Class A, BB and AA shares will also be exposed to currency fluctuations between the USD and EUR.

The Subfund reserves the right to enter into currency hedging transactions to seek to mitigate such fluctuations but there can be no assurance such transactions will be entered into or, if they are entered into, that they will be continuous and/or successful. Further, any such currency hedging transactions that are entered into by the Subfund may be terminated at any time by the Subfund if such termination is deemed by the Investment Manager in its judgment to be in the best interests of the classes concerned. For the avoidance of doubt, the shareholders of the Subfund will bear all the costs and expenses incurred as a result of both the currency conversions and any currency hedging activity with respect to the shares of the Subfund. In addition, any income or loss attributable to any currency conversions and/or hedging activity for the shares of the Subfund will be allocated to the Subfund.

- **Valuation Day:** the Net Asset Value per share will generally be calculated as of Friday of each calendar week. Should a Friday not be a Business Day, the Net Asset Value will be calculated as at the next following day which is a Business Day. Without prejudice to any state of affairs which may in the opinion of the Board of Directors justify an additional delay, the Net Asset Value is normally published during the next week. The Net Asset Value per share will also be calculated as of 31 December of each calendar year (which shall itself not be a Valuation Day) for purposes of closing the books and records of the Subfund as of the end of the Subfund's financial year.

For the purposes of this Subfund particular, Business Day shall mean any day in which banks are open for business in New York, USA and Luxembourg. In no event shall a Saturday or Sunday be a Business Day.

- Usually shares will be issued as registered shares. Shareholders will receive a confirmation of their shareholding, but no formal share certificate will be issued.
- **Investment Management Fees:** The Investment Manager and Sub-Investment Manager shall jointly be entitled to the investment management fee (the "Investment Management Fee") for each share class as described below. For the avoidance of doubt, the Investment Management Fee will be for the benefit of the Sub-Investment Manager. The Investment Management Fee will be computed on a weekly basis and typically paid monthly.

- Class S and SS: up to 0.60% per annum of the NAV of the Class S Shares or Class SS Shares, as the case may be

- Class J and JJ, BB: up to 1.00% per annum of the NAV of the Class J Shares, Class BB Shares or Class JJ Shares, as the case may be
- Class A and AA: up to 1.50% per annum of the NAV of the Class A Shares or Class AA Shares, as the case may be.

For the avoidance of doubt, per annum as used in this Subfund particular shall mean the number of days for the purposes of the computation divided by 365.

The Investment Management Fee will be calculated on the Net Asset Value of the Subfund attributable to the relevant class of shares. For purposes of this fee, the NAV will be determined as of the first Business Day of the week in which the Investment Management Fee for such class of Shares is calculated and shall consist of (i) the NAV per such class of Share as of the last Business Day of the preceding week plus (ii) subscriptions for such class of Share effective on the first Business Day of the current week and (iii) minus redemptions for such class of Share effective on the last Business Day of the preceding week. The Investment Management Fee will be paid to the Investment Manager in U.S. dollars within thirty (30) calendar days following the last day of each month. For purposes of this section, "Share" or "Shares" shall mean the relevant shares of each class of the Subfund. The Net Asset Value per share will also be calculated as of 31 December of each calendar year for purposes of closing the books and records of the Subfund as of the end of the Subfund's financial year. NAV shall be determined in accordance with Luxembourg GAAP.

- **Incentive Fee –Equalization Share Classes (Classes A, J, and S)**

The provisions of this paragraph will only apply to those share classes which use equalization accounting (Classes A, J, and S).

For each Calculation Period, the Investment Manager and Sub-Investment Manager will jointly receive an incentive fee (the "Incentive Fee") equal to (i) fifteen percent (15%) of the excess (if any) of the increase in the NAV per Class S Share over a hurdle rate of two percent (2.00%) per annum; (ii) fifteen percent (15%) of the excess (if any) of the increase in the NAV per Class J Share over a hurdle rate of two percent (2.00%) per annum; and (iii) twenty (20%) of the excess (if any) of the increase in the NAV per Class A Share over a hurdle rate of two percent (2.00%) per annum, in each case for the applicable Calculation Period, subject to the "Prior High NAV" provision discussed below. For the avoidance of doubt, the Incentive Fee will be for the benefit of the Sub-Investment Manager.

An Incentive Fee will only be paid with respect to the net income per Share of Class S Shares, Class J Shares, and Class A Shares in excess of the "Prior High NAV" of such class. The Prior High NAV of a class is the NAV per Share of that class as of the first Business Day immediately following the payment of an Incentive Fee with respect to such class (or if no Incentive Fee has yet been paid with respect to such class, the NAV per Share of that class immediately following its initial offering). The Incentive Fee will normally be paid in cash to the Sub-Investment Manager as follows: 90% of the estimated amount thereof within thirty (30) calendar days after the end of the applicable Calculation Period and the balance, as it may be adjusted, within ten (10) calendar days following the completion of year-end audit with respect to the year in which the Calculation Period ended. The calculation of the Incentive Fee shall be subject in all respects to the terms set forth herein.

A "Calculation Period" is generally the calendar year, except that: (i) the first Calculation Period with respect to any Class will commence upon the first issuance of Shares in such Class by the Subfund and will end on the following December 31st; (ii) the Calculation Period with respect to Shares redeemed by a Shareholder shall end on the Redemption Day for such Shares; and (iii) the then-current Calculation Period for each Class shall end upon termination of the Sub-Investment Management Agreement between the Sub-Investment Manager and the Investment Manager. "Equalisation" will be applied to Class A, J, and S only and will not apply to any other share class. With Equalisation, the Incentive Fee is effectively calculated on a Share-by-Share basis so that each Share is charged Incentive Fee that equates with that Share's performance. This method of calculation ensures that (i) any Incentive Fee paid to the Investment Manager and Sub-Investment Manager is charged only to those Shares that have appreciated in value, (ii) all Shareholders within a Class have the same amount per Share at risk, and (iii) all Shares of a Class have the same Net Asset Value per Share. For the purpose of this section and as the case may be in relation to the Subfund, "Class" may be read as "Sub-Class".

The Equalisation method adopted is usually referred to as the "Equalisation Share Adjustment Approach" according to which investors subscribe against the Gross Net Asset Value per Share and redeem against the Net Asset Value per Share. "Gross Net Asset Value per Share" is the Net Asset Value per Share before the accrual of the Incentive Fee. If an investor subscribes for Shares of a Class at a time when the Net Asset Value per

Share of that Class is other than the Prior High NAV per Share of that Class, certain adjustments will be made to reduce inequities that could otherwise result to the subscriber, the existing or exiting Shareholders or to the Investment Manager.

This can be explained as follows.

- (A) If Shares are subscribed for at a time when the Net Asset Value per Share is less than the Prior High NAV per Share of the relevant Class (such Net Asset Value per Share at which such Shares are subscribed for being the initial "Base Net Asset Value per Share" for such Shares), the Investor shall be required to pay an Incentive Fee with respect to any subsequent appreciation in the value of those Shares.

At the end of each Calculation Period the Base Net Asset Value per Share will be updated to the greater of (i) the existing Base Net Asset Value per Share, and (ii) the minimum of (x) the then current Net Asset Value per Share, and (y) the Prior High NAV per Share. The Base Net Asset Value per Share will be updated and taken into account until the Net Asset Value per Share as at the end of a Calculation Period has reached the Prior High NAV per Share.

With respect to any appreciation in the value of those Shares from the Base Net Asset Value per Share up to the Prior High NAV per Share, an "Equalisation Deficit" will be taken into account. The Equalisation Deficit is calculated as the relevant Incentive Fee percentage of any such appreciation, and will crystallise at the end of each Calculation Period by redeeming at the then current Net Asset Value per Share such number of the Shareholder's Shares of the relevant Class as have an aggregate value equal to the relevant Incentive Fee percentage of the difference between (i) the minimum of (x) the then current Net Asset Value per Share, and (y) the Prior High NAV per Share, and (ii) the Base Net Asset Value per Share of the relevant subscription, multiplied by the number of the Shareholder's Shares of that Class which are subject to the Equalisation Deficit (such redemption, an "Incentive Fee Redemption").

The Shareholder's Shares of that Class will continue to be so redeemed at the end of each Calculation Period until the Base Net Asset Value per Share of the relevant subscription reaches the Prior High NAV per Share. The aggregate Net Asset Value of the Shares so redeemed will be paid to the Investment Manager and Sub-Investment Manager as an Incentive Fee.

Incentive Fee Redemptions are employed to ensure that the Subfund maintains a uniform Net Asset Value per Share of each Class. As regards the Shareholder's remaining Shares of that Class, any appreciation in the Gross Net Asset Value per Share of those Shares above the Prior High NAV per Share of that Class will be charged an Incentive Fee in the normal manner.

If a Shareholder redeems his Shares at a time when the Base Net Asset Value per Share of such Shares is under the Prior High NAV per Share, the Shareholder will be charged, with respect to his Shares subject to an Equalisation Deficit, an amount equal to the relevant Incentive Fee percentage of the difference between (i) the minimum of (x) the then current Net Asset Value per Share, and (y) the Prior High NAV per Share, and (ii) the Base Net Asset Value per Share of the relevant subscription, multiplied by the number of Shares so redeemed.

- (B) If Shares are subscribed for at a time when the Net Asset Value per Share is greater than the Prior High NAV per Share of the relevant Class, the Investor shall be required to pay an amount in excess of the then current Net Asset Value per Share of that Class equal to the relevant Incentive Fee percentage of the difference between the then current Gross Net Asset Value per Share of that Class and the Prior High NAV per Share of that Class (such excess amount, an "Equalisation Credit"). At the date of subscription the Equalisation Credit will equal the Incentive Fee per Share accrued with respect to the outstanding Shares of the same Class (the "Maximum Equalisation Credit").

The Equalisation Credit is payable to account for the fact that the Net Asset Value per Share of that Class has been reduced to reflect an accrued Incentive Fee to be borne by existing Shareholders and serves as a credit against Incentive Fee that might otherwise be payable by the Class, but that should not, in equity, be charged against the Shareholder making the subscription because, as to such Shares, no favourable performance has yet occurred. The Equalisation Credit ensures that all holders of Shares of the same Class have the same amount of capital at risk per Share.

The additional amount per Share invested as the Equalisation Credit will be at risk in the Subfund and will therefore appreciate or depreciate based on the performance of the relevant Class subsequent to the issue of the relevant Shares, but will never exceed the Maximum Equalisation Credit and will never become negative. In the event of a decline as at any Valuation Day in the Net Asset Value per Share of the Shares, the Equalisation Credit will also be reduced by an amount equal to the relevant Incentive Fee percentage of the difference between the Gross Net Asset Value per Share at the date of issue and as at that Valuation

Day. Any subsequent appreciation in the Net Asset Value per Share of the relevant Class will result in the recapture of any reduction in the Equalisation Credit, but only to the extent of the previously reduced Equalisation Credit up to the Maximum Equalisation Credit.

At the end of each Calculation Period, if the Gross Net Asset Value per Share exceeds the Prior High NAV per Share of the relevant Class, the Equalisation Credit applicable at that time, multiplied by the number of Shares of that Class subscribed for by the Shareholder, shall crystallise as it will be applied to subscribe for additional Shares of that Class for the Shareholder. Additional Shares of that Class shall continue to be so subscribed for at the end of each Calculation Period until the Maximum Equalisation Credit has fully crystallised.

If the Shareholder redeems his Shares of that Class before the Maximum Equalisation Credit has fully crystallised, e.g. as the Equalisation Credit may have depreciated after the original subscription for Shares of that Class was made, the Shareholder will receive additional redemption proceeds equal to the Equalisation Credit then prevailing multiplied by a fraction, the numerator of which is the number of Shares of that Class being redeemed and the denominator of which is the number of Shares of that Class held by the Shareholder immediately prior to the redemption in respect of which an Equalisation Credit was paid on subscription.

In case of a partial redemption from a shareholding consisting of multiple subscriptions, the application of the "first-in-first-out" method might result in the definitive loss of a potential Equalisation Credit appreciation related to the Shares redeemed, while the remaining Shares of the shareholding might not (to the same extent) carry such potential of an Equalisation Credit appreciation.

A Shareholder's Equalisation Deficit or Credit resulting from Equalisation is referred to as an "Equalisation Adjustment".

A conversion of Shares will be carried out firstly as a redemption of the Shares switched out of, including the crystallisation of the associated Equalisation Adjustment, if any, and subsequently as a subscription for the Shares switched into, including the application of Equalisation.

Shareholders should bear in mind that a conversion of Shares might have adverse consequences:

- Firstly, if the then prevailing Net Asset Value per Share of the Shares switched out of is lower than the Net Asset Value per Share prevailing at the time these Shares were acquired. In such case, a conversion might result in the definitive loss of a potential Equalisation Credit appreciation related to the Shares switched out of and/or the definitive loss of an implied carry forward loss embedded in the Net Asset Value of the Shares switched out of. Such implied carry forward loss represents the portion of potential positive investment performance on which no Incentive Fee would be due.
- Secondly, if the then prevailing Net Asset Value per Share of the Shares switched out of is higher than the applicable Base Net Asset Value per Share or Prior High NAV per Share, as the case may be. In such case, the accrued Incentive Fee associated with the Shares switched out of will be charged upon the conversion and the Shareholder will definitively lose the potential of an earn-back of accrued Incentive Fee in case of subsequent negative investment performance.

None of the aforementioned adverse consequences of a conversion of Shares will be compensated for in any manner.

All or part of the Incentive Fee may be paid based on unaudited financial data, and in the event that there is a subsequent adjustment to the unaudited financial data that was originally used to calculate the Incentive Fee, generally such adjustment shall be reflected in the calculation of the NAV per share as of the next Valuation Day. However, once shares are redeemed no further adjustments for purposes of any Incentive Fee paid shall be made.

Incentive Fee – Non-Equalization Share Classes (Class AA, BB, JJ, and SS)

The provisions of this paragraph will apply to those Classes of Shares that do not use equalization (Class AA, BB, JJ, and SS).

For each Calculation Period, the Investment Manager and Sub-Investment Manager will jointly receive an incentive fee (the "Incentive Fee") equal to (i) fifteen percent (15%) of Incentive Base (as defined below) of Class SS Shares; (ii) fifteen percent (15%) of Incentive Base of Class JJ Shares; (iii) fifteen percent (15%) of Incentive Base of Class BB Shares and (iv) twenty (20%) of Incentive Base of Class AA Shares, in each case for the applicable Calculation Period, subject to the provisions discussed below. For the avoidance of doubt, the Incentive Fee will be for the benefit of the Sub-Investment Manager.

Incentive Base will be computed separately for each share class, and will be equal to:

1. The increase in aggregate net asset value during the Calculation Period;
 - a. less aggregate subscriptions received during the Calculation Period;
 - b. plus aggregate redemptions during the Calculation Period.
2. Before any accrual for the Incentive Fee; and
3. Reduced to the extent of any unrecovered balance remaining in the Loss Recovery Account, defined below.

The total Incentive Fee will be allocated among the investors in each share class proportionately based on shares owned.

The Subfund will maintain a memorandum loss recovery account (the "Loss Recovery Account") for each share class, the opening balance of which will be zero. The Loss Recovery Account will be credited with Luxembourg GAAP net losses, if any, and will be debited (but not beyond zero) with any Luxembourg GAAP income.

The Incentive Fee will normally be paid in euros to the Sub-Investment Manager as follows: 90% of the estimated amount within 30 calendar days after the end of the applicable Calculation Period and the balance, as it may be adjusted, within 10 calendar days following the completion of year-end audit with respect to the year in which the Calculation Period ended. The calculation of the Incentive Fee shall be subject in all respects to the terms set forth in the Prospectus.

A "Calculation Period" is generally the period from January 1 to June 30 inclusive, and July 1 to December 31 inclusive, except that: (i) the first Calculation Period with respect to any Class will commence upon the first issuance of Shares in such Class by the Subfund and will end on the following December 31st; (ii) the Calculation Period with respect to Shares redeemed by a Shareholder shall end on the Redemption Day for such Shares; and (iii) the then-current Calculation Period for each Class shall end upon termination of the Sub-Investment Management Agreement between the Sub-Investment Manager and the Investment Manager.

Platform Operator Fee

The Platform Operator will receive from the Subfund a fee (the "Platform Operator Fee") in respect of the platform operator services provided to the Subfund for each Class of Shares, which will be paid monthly in an amount equal to 0.35% per annum of the first \$50,000,000 of the Subfund's NAV, 0.30% per annum of any amounts in excess of the first \$50,000,000 of the Subfund's NAV and up to and including \$100,000,000 of the Subfund's NAV, and 0.25% per annum of any amounts in excess of \$100,000,000. Notwithstanding the foregoing, the minimum Platform Operator Fee shall be \$10,000 per month.

Reduction of Fees; Rebates; Distributors

The Subfund will bear its own fees and expenses, which will include the Charges and Expenses described in Subsection 12 of Section II of this Prospectus. The Platform Operator may reduce the application of the Platform Operator Fee and the Investment Manager, with the consent of the Sub-Investment Manager, may reduce the application of the Management Fee or the Incentive Fee, as applicable, with respect to Shares of certain Shareholders. Any such reduction will not increase the amount of the Management Fee, Incentive Fee or Platform Operator Fee borne by other Shareholders. Any reduction of such fees may be effectuated by way of a rebate from the Investment Manager, Platform Operator or Sub-Investment Manager, as applicable, to the relevant Shareholder, and will not require the consent of any other Shareholder.

The Investment Manager and the Sub-Investment Manager may agree to pay or cause the Subfund to pay out of the Investment Management Fee various distributors or service providers (including itself and affiliates of the Investment Manager or Sub-Investment Manager) for services provided to the Investment Manager and/or the Sub-Investment Manager.

Initial NAV and minimum and subsequent subscriptions:

Shares of ClassSS of the Subfund have been issued for the first time on June 14, , 2013 and offered with an initial subscription price of \$100. Shares of Classes S, JJ and J will be offered with an initial subscription price of \$100. After the launch date shares will be offered at the Net Asset Value per share as of the applicable Valuation Day, exclusive of any initial subscription fee of up to 2% charged to pay the fees of any sales agents

or distributors. Shares of Class A and AA have been issued for the first time on May 31, 2013 and Shares of Class BB on June 21, 2013 and will be offered at an initial subscription price of €100, exclusive of any initial subscription fee of up to 2% charged to pay the fees of any sales agents or distributors, and following an initial issuance of any such Class shares shall be offered at the Net Asset Value per share as of the applicable Valuation Day. The minimum initial subscription amount is \$1,000,000 for Class S and SS, \$500,000 for Class J and JJ, €500,000 for Class BB and €10,000 for Class A and AA. Subsequent subscription amounts may be made in increments of \$25,000 for Class S, SS, JJ and J, €25,000 for Class BB and €1,000 for Class A and AA. The Subfund may, with the consent of the Board of Directors, lower or waive the minimum or subsequent subscription amounts.

Subscriptions:

- The shares of the Subfund may be subscribed on each Valuation Day (a "Subscription Day") based on the Net Asset Value per share as of that Valuation Day.
- Subscription applications can only be made for a specific amount and not for a specific number of shares.
- Subscription fee: up to 2% of subscription moneys charged to pay the fees of any sales agents.
- In order to be dealt with on a specific Subscription Day, subscription orders must be received by the Fund's Administrative Agent by 3 p.m. Luxembourg time at least five Business Days before the relevant Subscription Day. The Board of Directors may at its discretion decide to waive this 5 days prior notice period provided that this would not (i) constitute practices of market timing and (ii) be detrimental to the interests of the Fund's other shareholders. The following forms of communication are acceptable to the Fund for submitting subscription requests to the Administrative Agent:
 1. Facsimile Transmission – on +352 260 236 470;
 2. Email Transmission – via email (provided that it contains a scanned copy of the relevant duly signed document) to Luxshare@citco.com;
 3. Mail – Mailing the original via mail/courier to the Investor Relations Group, c/o Citco Fund Services (Luxembourg) S.A., Carré Bonn, 20, rue de la Poste, L-2346 Luxembourg.

Notwithstanding the method of communication, the Fund and/or the Administrative Agent reserve the right to ask for the production of original documents or other information to authenticate the communication. In the case of mis-receipt or corruption of any message, investors will be required to re-send the documents. Investors should note that they must use the form document provided by the Fund in respect of the subscription request, unless such condition is waived by the Fund and/or the Administrative Agent. Messages sent via email must contain a duly signed document as an attachment.

- Subscription proceeds must be paid to the Custodian no later than three (3) Business Days before the relevant Subscription Day by 11 a.m. Luxembourg time; provided that from time to time the Board of Directors may in its discretion and consistent with relevant market practice decide to accept late subscription proceeds up to 11 a.m. Luxembourg time on any such Subscription Day.
- The Administrative Agent will process subscription requests which are received by facsimile, mail or email. For the initial subscription in the Fund, the original document should follow by mail/courier thereafter. Neither the Fund nor the Administrative Agent shall be responsible for any delivery failure or non-receipt of any facsimile or email if they have not acknowledged receipt of the facsimile, email or original document. Facsimiles, emails or original documents sent to the Fund or the Administrative Agent shall only be effective when actually acknowledged by the Fund or the Administrative Agent. Written confirmation of completed subscriptions (indicating the total number of full and fractional shares issued to the subscriber as of the applicable Subscription Day) will be sent to the subscriber at the address provided in the application as soon as reasonably practicable and normally within five (5) Business Days of the date on which the relevant Net Asset Value was made available. In the event that no confirmation is received from the Administrative Agent within the aforementioned five (5) Business Day period, subscribers should contact the Administrative Agent on +352 260 236 872 to confirm receipt.

Process for Redemptions:

- The shares of the Subfund may be redeemed on each Valuation Day (a "Redemption Day") based on the Net Asset Value per share as of that Redemption Day.
- Redemption applications can only be made for a specific number of shares and not for a specific amount.

- In order to be dealt with on a specific Redemption Day, redemption orders must be received by the Fund's Administrative Agent by 3 p.m. Luxembourg time at least five (5) Business Days before the relevant Redemption Day. The following forms of communication are acceptable to the Fund for submitting redemption requests to the Administrative Agent:
 1. Facsimile Transmission – on +352 260 236 470;
 2. Email Transmission – via email (provided that it contains a scanned copy of the relevant duly signed document) to Luxshare@citco.com;
 3. Mail – Mailing the original via mail/courier to the Investor Relations Group, c/o Citco Fund Services (Luxembourg) S.A., Carré Bonn, 20, rue de la Poste, L-2346 Luxembourg.
- Notwithstanding the method of communication, the Fund and/or the Administrative Agent reserve the right to ask for the production of original documents or other information to authenticate the communication. In the case of mis-receipt or corruption of any message, investors will be required to re-send the documents. Investors should note that they must use the form document provided by the Fund in respect of the redemption requests, unless such condition is waived by the Fund and/or the Administrative Agent. Messages sent via email must contain a duly signed document as an attachment.
- Redemption proceeds will normally be paid by the Custodian no later than five (5) Business Days following the relevant Redemption Day provided that any outstanding identification and KYC documents have been received by the Administrative Agent. Redemption proceeds will be paid in the denominated currency of the applicable class of shares to which the redemption relates.
- The Administrative Agent will process redemption requests which are received by facsimile, mail or email. Neither the Fund nor the Administrative Agent shall be responsible for any delivery failure or non-receipt of any facsimile or email if they have not acknowledged receipt of the facsimile, email or original document. Facsimiles, emails or original documents sent to the Fund or the Administrative Agent shall only be effective when actually acknowledged by the Fund or the Administrative Agent. Written confirmation of completed redemption requests will be sent to the redeeming shareholder at the address provided in the application as soon as reasonably practicable and normally within five (5) Business Days of the date on which the relevant Net Asset Value was made available. In the event that no confirmation is received from the Administrative Agent within such five (5) Business Day period, investors should contact the Administrative Agent on +352 260 236 872 to confirm receipt.

Conversions:

Conversions into other Subfunds of the Fund are not permitted; however conversions between share classes with the same fee levels of this Subfund are permitted.

Past performance:

This will be inserted into the key investor information document one year after the launch of the Subfund.

Dividends:

The Subfund does not intend to declare and pay dividends on any class of shares as the Subfund's objective is to seek capital appreciation.

Method for Measuring Global Exposure of the Subfund

The global exposure of the Subfund is measured using Absolute Value at Risk (VaR) approach in accordance with CSSF circular 11/512.

Leverage

The leverage ratio will be calculated according to the CSSF circular 11/512 using the sum of the notionals. The expected maximum level of leverage will not exceed 300% based on the net asset value of the Subfund. Under exceptional circumstances the level of leverage might exceed the before mentioned range.

SECTION II: GENERAL PROVISIONS

MANAGEMENT AND ADMINISTRATION

Registered Office:	20 rue de la Poste, L-2346 Luxembourg
Management Company:	RBS (Luxembourg) S.A. 33, rue de Gasperich L-5826 Hesperange
Board of Directors:	
Chairman:	Joachim Gottschalk Chief Executive Officer Gottex Fund Management S.à.r.l. Avenue de Rhodanie 48 1007 Lausanne Switzerland
Directors:	Tim Roniger Chief Financial Officer Gottex Fund Management S.à.r.l. Avenue de Rhodanie 48 1007 Lausanne Switzerland
	Michael Vareika Independent director of companies 8, rue Killebiërg L-5762 Hassel Luxembourg
	Paul Guillaume Altra Partners, S.A. 370, route de Longwy L-1940 Luxembourg
Investment Managers/Sub-Investment Managers/Investment Advisors:	The name of the respective Investment Managers, Sub-Investment Managers and Investment Advisors are disclosed for each Subfund under Section I.
Custodian:	The Bank of New York Mellon (Luxembourg) S.A. Vertigo Building – Polaris 2-4 rue Eugène Ruppert L-2453 Luxembourg
Administrative Agent and main Paying Agent:	Citco Fund Services (Luxembourg) S.A. Carré Bonn 20, rue de la Poste L - 2346 Luxembourg P.O. Box 230 L - 2012 Luxembourg
Distributor:	Gottex Asset Management (UK) Limited 5 Savile Row London W1S 3PD United Kingdom

Auditors: KPMG Audit S.à r.l.
9, Allée Scheffer
L-2520 Luxembourg

Legal Advisers to the Fund: Elvinger, Hoss & Prussen
2, Place Winston Churchill
BP 425
L-2014 Luxembourg

1. THE FUND

STRUCTURE OF THE FUND

GOTTEX SICAV is an investment company qualifying as a "*société d'investissement à capital variable*" (SICAV) with multiple Subfunds under the laws of the Grand Duchy of Luxembourg, which is authorised to invest in transferable securities, money market instruments, deposits, financial derivative instruments and/or other permitted assets referred to in the Law, in accordance with the investment policy of each particular Subfund. The Fund complies with the requirements of the Directive 2009/65/EC

GOTTEX SICAV is characterised by an "umbrella structure" which comprises several specific portfolios of assets known as "Subfunds" for each of which classes of shares with different characteristics may be issued.

The share capital of the Fund, represented by fully paid in shares with no par value (the "shares"), is at all times equal to the aggregate of all Subfunds' net assets.

At general meetings, each shareholder has the right to one vote per share held, irrespective of the difference in value of shares in the respective Subfunds. Shares of a particular Subfund carry the right to one vote per share held when voting at meetings affecting the relevant Subfund. Resolutions concerning the interests of shareholders of the Fund shall be taken in a general meeting and resolutions concerning the particular rights of the shareholders of one specific Subfund shall, in addition, be taken by the relevant Subfund's general meeting.

The Fund is a single legal entity and the assets of a particular Subfund are only available to meet the debts, engagements and obligations of that Subfund. In respect of the relationship as between the shareholders, each Subfund is treated as a separate entity. The Fund is unlimited with regard to duration and total assets.

The Fund may decide to pursue a listing of the shares of some or all Subfunds/classes of shares on the Luxembourg Stock Exchange or any other exchanges as may be determined by the Board of Directors from time to time.

LEGAL ASPECTS

GOTTEX SICAV was incorporated on 9 June 2010 as an open-end investment company under Luxembourg law in the legal form of a company limited by shares (*société anonyme*) having the status of an investment company with variable capital (*Société d'investissement à capital variable*) in accordance with Part I of the Law. The Fund is entered under no. B 153.627 in the Luxembourg Register of Commerce and Companies.

The articles of association have been published in the "Mémorial C, Recueil des Sociétés et Associations", (the "Mémorial"), the official gazette of the Grand Duchy of Luxembourg, on 24 June 2010 and have been deposited at the Luxembourg Register of Commerce and Companies. The articles of association were last amended on 10 May 2011 by a notarial deed published in the Mémorial on 27 May 2011. Any amendment must be published in the Mémorial. Such amendments will be legally binding on all shareholders following their approval at a general meeting of the shareholders.

The Fund's accounts are audited by KPMG Audit S.à r.l. The financial year of the Fund starts on the first day of January and ends on 31 December of the same year and for the first time on 31 December 2010. The annual general meeting takes place annually on the 10 calendar day of May at 11 a.m. (Luxembourg time) at the registered office of the Fund; provided that the first annual general meeting will take place on 10 May 2011. If such day is not a Business Day, the annual general meeting takes place on the next following Business Day. The Board of Directors reserves the right, at any point in time, to launch new Subfunds. The investment policy and characteristics of such Subfunds will be reflected in and result in the issue of a revised Prospectus. In compliance with the regulations laid down in "Liquidation and merging of the Fund and its Subfunds", the Board of Directors reserves the right to terminate or to merge certain Subfunds.

Variations in the capital of the Fund can take place without further consideration or enquiry and without the need for publication or registration in the Register of Commerce and Companies. The minimum capital required is €1,250,000 and must be reached within a time frame of six months after the registration of the Fund on the official list of undertakings for collective investment.

2. INVESTMENT OBJECTIVES AND POLICY

The purpose of the Fund is to provide investors with an opportunity for investment in all types of transferable securities, in money market instruments, in deposits, in financial derivative instruments and/or other permitted assets referred to in the Law through professionally managed Subfunds, each with their own specific investment objectives and policies as more fully described in Section I.

3. INVESTMENTS IN THE GOTTEX SICAV

NET ASSET VALUE

The Net Asset Value per share of each class in respect of each Subfund is calculated in Luxembourg by the Administrative Agent within the framework of its administrative duties, under the responsibility of the Board of Directors, as of each Valuation Day, as defined in Section I in respect of each Subfund.

The Net Asset Value of each Subfund is equal to the total assets of that Subfund less its liabilities, and the Net Asset Value per share of each Subfund is calculated on the basis of the last known prices (*i.e.*, closing prices or if such do not reflect reasonable market value in the opinion of the Board of Directors, the last available prices at the time of valuation), in accordance with the valuation rules set forth below and the accounting principles generally accepted in Luxembourg ("Luxembourg GAAP"), with the exception of the Net Asset Value per share of Subfunds subject to capital control taxes, as more fully described on page 64.

The Net Asset Value per share shall be rounded up or down to six places of precision after the decimal and will be expressed in the currency of the relevant Subfund as further described under Section I (except when there exists any state of affairs which, in the opinion of the Board of Directors, makes the determination in the currency of the relevant Subfund either not reasonably practical or prejudicial to the shareholders, in which case the Net Asset Value may be determined in such other currency as the Board of Directors may determine) and shall be determined in respect of any Valuation Day by dividing the Net Asset Value of the Subfund by the number of its shares then outstanding.

In case there are different classes of shares within a Subfund, the Net Asset Value per share of each class will be determined in the specific reference currency of such class on the basis of the net assets attributable to the relevant class.

The total net assets of the Fund are expressed in EUR and correspond to the aggregate total net assets of all Subfunds. For the purpose of this calculation, the net assets of a Subfund or class, if they are not expressed in EUR, are converted into EUR.

Without prejudice to any specific provisions applicable any Subfund, set out in Section I, the value of the assets held by each Subfund is determined as follows:

- * Securities and other investments listed on a stock exchange are valued at the last known price. If the same security or investment is quoted on several stock exchanges, the last known price on the stock exchange that represents the major market for this security will apply. In the case of securities and other investments where the volume of trading on the stock market is low but which are traded between securities dealers on a secondary market using usual market price formation methods, the Fund can use the prices on this secondary market as the basis for its valuation of these securities and investments. Securities and other investments that are not listed on a stock exchange, but which are traded on another regulated market which is recognised, open to the public and operating regularly, are valued at the last known price on this market;
- * Units/shares of UCITS authorised according to Directive 2009/65/EC and/or other assimilated UCI will be valued at the last known net asset value for such shares or units as of the relevant Valuation Day;
- * Money market instruments will be valued at their last known price. In the case of money market instruments where the volume of trading on the exchange is low but which are traded between securities dealers on a secondary market using usual market price formation methods, the Fund can use the prices on this secondary market as the basis for its valuation of these money market instruments;
- * Debt securities with a residual maturity of more than one year and other securities are valued at the last known price, if they are listed on an official stock exchange. If the same security is listed on several stock

exchanges, the last known price on the stock exchange that represents the major market for this security will apply;

- * Debt securities with a residual maturity of more than one year and other securities are valued at the last known price on this market, if they are not listed on an official stock exchange, but traded on another regulated market, which is recognised, open to the public and operating regularly;
- * Time deposits with an original maturity exceeding thirty (30) days can be valued at their respective rate of return, provided the corresponding agreement between the credit institution holding the time deposits and the Fund stipulates that these time deposits may be called at any time and that, if called for repayment, their cash value corresponds to this rate of return;
- * Any cash in hand or on deposit, notes payable on demand, bills and accounts receivable, prepaid expenses, cash dividends and interests declared or accrued as aforesaid and not yet received shall be valued at their full nominal value, unless in any case the same is unlikely to be paid or received in full, in which case the Board of Directors may value these assets with such a discount as they may consider appropriate to reflect the true value thereof. Liquid funds are valued at their nominal value plus any accrued interest;
- * Securities and other investments that are denominated in a currency other than the reference currency of the relevant Subfund and which are not hedged by means of currency transactions are valued at mid closing spot rates;
- * The liquidating value of futures, forwards and options contracts traded on a stock exchange shall be based upon the last available settlement prices of these contracts on the stock exchanges on which the particular futures, forward or options contracts are traded; provided that if a futures, forward or options contract could not be liquidated on the Valuation Day with respect to which a Net Asset Value is being determined, then the basis for determining the liquidating value of such contract shall be such value as the Board of Directors may, in good faith and pursuant to verifiable valuation procedures, deem fair and reasonable;
- * The value of over-the-counter forwards, options and contracts for difference is calculated by the counterpart to the relevant derivative transaction, according to a method based on present value of all future expected cash flows, both inflows and outflows, approved by the Board of Directors.

The Fund is authorised to apply other adequate valuation principles for the assets of an individual Subfund if the aforementioned valuation criteria appear, in the opinion of the Board of Directors, impossible or inappropriate.

In the case of substantial net redemption applications, the Fund may determine the Net Asset Value of the relevant Subfund on the basis of the prices at which the necessary sales of assets of the relevant Subfund are effected.

MARKET-TIMING AND LATE TRADING

Investors are informed that the Board of Directors is entitled to take adequate measures in order to prevent practices known as "Market-Timing" in relation to investments in the Fund. The Board of Directors will also ensure that the relevant cut-off time for applications for subscription, redemption and conversion are complied with and will therefore take adequate measures to prevent practices known as "Late Trading".

The Board of Directors is entitled to reject applications for subscriptions and conversions in the event that it has knowledge or suspicions of the existence of such practices. In addition, the Board of Directors is authorised to take any further measures deemed appropriate to prevent the above mentioned practices, without prejudice however to the provisions of Luxembourg law.

ISSUE AND CONVERSION OF SHARES

Unless otherwise stated in Section I, the Board of Directors is authorised without limitation to allot and issue shares of any Subfund.

Within a Subfund, the Board of Directors may create several classes of shares so as to correspond to (i) a specific distribution policy, such as providing for distributions or not providing for distributions, and/or (ii) a specific sales and/or redemption charge structure, and/or (iii) a specific management fee, performance fee and/or advisory fee structure, and/or (iv) specific redemption features, and/or (v) a specific distribution fee structure, and/or (vi) specific types of investors entitled to subscribe the relevant classes, and/or (vii) a specific currency, and/or (viii) any other specific features applicable in respect of a given class.

Unless otherwise provided for each Subfund under Section I, subscriptions must be made for a specific amount of money, including subscription fees if applicable.

The Board of Directors may fix a minimum subscription and conversion level, as well as a minimum holding for each Subfund. The minimum initial and subsequent investment and minimum holding requirements, if any, are disclosed for each Subfund under Section I.

The shares may be issued in a non-certificated registered format.

Fractions of shares may be issued up to six decimal places. Such fractions of shares shall not be entitled to vote but shall be entitled to a participation in the net results and in the proceeds of liquidation attributable to the shares in the relevant Subfund on a pro rata basis.

All shares must be fully paid-up; they are of no par value and carry no preferential or pre-emptive rights. Each share of whatever Subfund it belongs is entitled to one vote at any general meeting of shareholders, in compliance with Luxembourg law and the articles of association.

Subscription fees are disclosed for each Subfund under Section I. Any taxes, commissions and other fees incurred in the respective countries in which Fund shares are sold will also be charged to the subscribing investor.

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

Subscription Procedures

All subscription and redemption and conversion applications must be addressed to the Administrative Agent. The Board of Directors may appoint distributors as it may deem appropriate from time to time.

Duly completed and signed applications received by the Administrative Agent by the time specified in respect of each Subfund under Section I ("cut-off time") shall be settled at the issue price calculated as of that Valuation Day. Applications received after this cut-off time will take effect on the following Valuation Day. Save on a suspension of the Net Asset Value calculation, applications to subscribe for shares are irrevocable.

Applications shall be submitted for payment in the reference currency as defined for each Subfund under Section I. The issue price is calculated in the relevant reference currency as defined for each Subfund under Section I.

Payment must be received by the Custodian of the Fund no later than by the time specified for each Subfund under Section I.

The Fund at its discretion may accept subscriptions in kind, in whole or in part. However in this case the investments in kind must be eligible investments for the purposes of the relevant Subfund's investment policy and restrictions. In addition the value of these investments will be audited by the Fund's appointed auditor. The related fees will be borne by the subscribing investor.

Subscribers are required, *inter alia*, to establish their identity with the distributor or the sales agent which collects their subscription. The distributor or the sales agent must request from subscribers the following identification documents: for individuals, a certified copy of passport/identity card (certified by the distributors or the sales agent or by the local public authority); for corporations or other legal entities, (i) a certified copy of the subscriber's articles of incorporation, (ii) a certified copy of the subscriber's entry on the Register of Commerce and Companies, (iii) a copy of the subscriber's signature list and proper identification of directors/signatories, (iv) a copy of the latest annual accounts published and (v) full identification of the beneficial owner of the shares.

Distributors must ensure that the sales agents comply strictly with the above identification procedure. The Administrative Agent and the Fund may at any time request confirmation of such compliance from the distributors. The Administrative Agent controls the observance of the above mentioned rules for any subscription/redemption requests it receives from subscribers established in non-GAFI/FATF countries.

In addition, any distributor and its appointed sales agents must also respect all rules regarding the prevention of money laundering and of financing terrorism in force in their respective country.

Without prejudice to the above, the Fund reserves the right to (a) reject any request for subscription, (b) issue new shares only if it is in the interest of the existing shareholders and (c) compulsorily redeem outstanding shares held by investors who are not authorised to either buy or hold shares of any Subfund.

The shares will be transferred to the investors concerned without delay upon payment of the full purchase price. They may be credited to the securities account of the shareholder's choice.

The Fund may, in the course of its sales activities and at its discretion, cease issuing shares in one or more Subfunds, reject subscription applications and suspend or limit the sale of shares for specific periods or permanently to individuals or corporate bodies in particular countries or areas. The Fund may also at any time compulsorily redeem shares from shareholders who are ineligible to acquire or hold shares of any Subfund.

Conversion of Shares

Unless otherwise provided for each Subfund under Section I, the shareholder of a Subfund may convert some or all of his shares into shares of another Subfund up to the value of the shares presented for conversion, provided that the issue of shares of this Subfund has not, as described below, been suspended. The Board of Directors is authorised to set a minimum conversion level for each Subfund, in which case Section I will disclose this. For further information regarding the conversion procedure and fees, please revert to the description of the individual Subfunds in Section I.

The same procedures apply to the submission of conversion applications as apply to the issue and redemption of shares. The Fund calculates the number of shares to be allotted after conversion using the following formula:

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

where:

- A is the number of shares to be allocated in the new Subfund;
- B is the number of shares of the original Subfund to be converted;
- C is the Net Asset Value per share of the original Subfund on the relevant Valuation Day;
- D is the actual rate of exchange on the day concerned in respect of the reference currency of the original Subfund and the reference currency of the new Subfund;
- E is the Net Asset Value per share of the new Subfund on the relevant Valuation Day.

The Fund may charge a conversion fee as more fully described under Section I.

The Shareholder can request such a conversion by indicating the number of shares and the Subfund into the shares of which they wish them to be converted. If share certificates have been physically delivered to the shareholder, all share certificates to be converted including any coupons not yet due must be delivered to the Administrative Agent. Otherwise, the conversion cannot be executed.

Money Laundering Prevention

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

In case of delay or failure by an applicant to provide the documents required, the application for subscription (or, if applicable, for redemption) will not be accepted. Neither the Fund nor the Administrative Agent has any liability for delays or failure to process deals as a result of the applicant providing no or only incomplete documentation.

Shareholders may be requested to provide additional or updated identification documents from time to time pursuant to ongoing client due diligence requirements under relevant laws and regulations.

REDEMPTION OF SHARES

The Board of Directors is authorised to fix a minimum redemption level, as well as a minimum holding for each Subfund, as may be set out in Section I for any Subfund.

Unless otherwise provided for each Subfund under Section I, redemptions can only be made for a specific number of shares.

All redemption requests must be addressed to the Administrative Agent or the sales agent(s) for onward transmission to the Administrative Agent.

Applications for redemption must be received by the Administrative Agent by the time specified for each Subfund under Section I ("cut-off time"). They shall be settled at the redemption price calculated as of that Valuation Day and shall be submitted for payment in the reference currency as defined for each Subfund under Section I. All redemption applications received by the Fund after the relevant cut-off time will be settled at the redemption price calculated as of the next Valuation Day. If share certificates were physically delivered to the shareholder, they must be enclosed with the redemption application (all non-used coupons attached). Save on a suspension of the Net Asset Value calculation, applications for the redemption of shares are irrevocable.

The redemption price is based on the Net Asset Value per share. Any taxes, commissions and other fees incurred in the respective countries in which Fund shares are sold will be charged to the redeeming investor. Payment for Fund shares shall be effected within the time limit specified for each Subfund under Section I unless legal provisions, such as foreign exchange controls or restrictions on capital movements, or other circumstances beyond the control of the Fund, make it impossible to transfer the redemption amount within the specified time limit to the country in which the redemption application was submitted.

If any application for redemption is received in respect of any one Valuation Day (the "First Valuation Day") which either singly or when aggregated with other applications so received, is more than 10% of the Net Asset Value of any one Subfund, the Board of Directors reserves the right in its sole and absolute discretion (and taking into account the best interests of the remaining shareholders) to scale down pro rata each application with respect to such First Valuation Day so that not more than 10% of the Net Asset Value of the relevant Subfund be redeemed or converted on such First Valuation Day. To the extent that any application is not given full effect on such First Valuation Day by virtue of the exercise of the power to prorate applications, it shall be treated with respect to the unsatisfied balance thereof as if a further application had been made by the shareholder in respect of the next Valuation Day and, if necessary, subsequent Valuation Days. With respect to any application received in respect of the First Valuation Day, to the extent that subsequent applications shall be received in respect of following Valuation Days, such later applications shall be postponed in priority to the satisfaction of applications relating to the First Valuation Day, but subject thereto shall be dealt with as set out in the preceding sentence.

The Board of Directors at its discretion may, at the request of a shareholder, accept applications for redemptions in kind. Any such redemption (1) must not materially adversely affect remaining shareholders and (2) will be audited by the Fund's appointed auditor. The related fees will be borne by the relevant redeeming shareholder.

SUSPENSION OF THE NET ASSET VALUE CALCULATION AND OF THE ISSUE, CONVERSION AND REDEMPTION OF SHARES

Without prejudice to any additional, specific provisions set out in Section I, the Fund may temporarily suspend calculation of the Net Asset Value and hence the issue, conversion and redemption of shares for one or more Subfunds when:

- * the stock exchanges or markets on which the valuation of a major part of the Fund's assets is based or when the foreign exchange markets corresponding to the currencies in which the Net Asset Value or a considerable portion of the Fund's assets are denominated, are closed, except on regular public holidays, or when trading on such a market is limited or suspended or temporarily exposed to severe fluctuations;
- * Underlying Funds representing a considerable portion of the Fund's assets have suspended the calculation of their net asset value or otherwise suspended or deferred the redemption of their shares;
- * political, economic, military or other emergencies beyond the control, liability and influence of the Fund make it impossible to access the Fund's assets under normal conditions or such access would be detrimental to the interests of the shareholders;
- * disruptions in the communications network or any other reason make it impossible to calculate with sufficient exactitude the value of a substantial part of the Fund's net assets;
- * limitations on exchange operations or other transfers of assets render it impracticable for the Fund to execute business transactions, or where purchases and sales of the Fund's assets cannot be effected at the normal conversion rates;
- * for any other reason the prices of any investments owned or the value of any derivatives contracts entered into by the Fund cannot promptly or accurately be ascertained;
- * the value of the underlying to a derivative contract, as determined by the calculation agent of such derivative contract, and which represents a substantial part of the relevant Subfund's investments does not, in the opinion of the Board of Directors, represent the fair value of such underlying; or

- * upon the publication of a notice convening a general meeting of shareholders for the purpose of resolving the winding-up, merger or amalgamation of a Subfund, or, as the case may be, the Fund or the closure of any class of a Subfund.

4. LIQUIDATION AND MERGING OF THE FUND, ITS SUBFUNDS AND ITS CLASSES

LIQUIDATION OF THE FUND

The Fund may be wound up at any time by a decision of the general meeting of shareholders, which must be taken in the form of an amendment to the articles of association.

If the amount of the Fund's capital falls below two thirds of the minimum capital required by the Law, the Board of Directors shall refer the winding up of the Fund to a meeting of shareholders. The resolution shall require the approval of a simple majority of the shares represented at the meeting, without any quorum requirements.

If the amount of the Fund's capital falls below one quarter of the minimum capital required by the Law, the Board of Directors shall refer the winding up of the Fund to a meeting of shareholders where the resolution to wind up the Fund shall require the approval of shareholders holding one quarter of the shares represented at the meeting, without any quorum requirements.

Any such meeting shall be convened so that it is held within 40 days of the day on which it was ascertained that the capital had fallen below two thirds or, as the case may be, one quarter of the legal minimum capital.

Liquidation is carried out by one or more liquidators who may be physical persons or corporate entities and who are appointed with the approval of the supervisory authority by the meeting of shareholders, which also determines their powers and remuneration.

The net proceeds from the liquidation of each Subfund are paid out by the liquidators to the shareholders of that Subfund in proportion to the Net Asset Value per share.

If the Fund is liquidated voluntarily or on account of a court decision, this liquidation shall be carried out in accordance with the provisions of the Law. The Law specifies the measures that have to be taken in order to allow the shareholders to participate in the distribution of the proceeds of liquidation and provides that any amount remaining unclaimed by a shareholder after completion of liquidation shall be deposited with the Caisse de Consignation. Any amounts deposited in this manner and remaining unclaimed within the statutory limitation period shall be forfeited.

TERMINATION OF A SUBFUND AND OF A CLASS OF SHARES

The Board of Directors may decide at any time to terminate any Subfund or to close any class of shares of a Subfund if the net assets of such Subfund or any class thereof fall below €25 Million (or its equivalent amount in another currency if such assets are not expressed in EUR) or for any other circumstances set out in the Fund's articles of association. In the case of termination of a Subfund or closure of a class thereof, the Board of Directors may offer to the shareholders of such Subfund or class of shares the conversion of their shares into shares of another Subfund or, where applicable into shares of another class of the same Subfund, under terms fixed by the Board of Directors, or the redemption of their shares for cash at the Net Asset Value per share (including all estimated expenses and costs relating to the termination) determined as of the Valuation Day as described under section "Redemption of Shares".

In the event that for any reason the value of the assets in any Subfund or of any class(es) of shares has decreased below the level determined by the Board of Directors from time to time to be the minimum level for such Subfund or such class(es) of shares to be operated in an economically efficient manner, or if a change in the economic or political situation relating to the Subfund concerned would have material adverse consequences on the investments of that Subfund, the Board of Directors may decide to compulsorily redeem all the shares of the relevant class(es) issued in such Subfund at the Net Asset Value per share (taking into account actual realisation prices of investments and realisation expenses), calculated as of the Valuation Day at which such decision shall take effect. The Fund shall notify the shareholders of the Subfund or of the class(es) concerned before the effective date of such compulsory redemption. A notice to this effect will indicate the reasons and the procedure of the redemption. Owners of registered shares will be notified in writing. Unless determined otherwise in the interest of, or to maintain equal treatment between shareholders, the shareholders of the Subfund concerned may continue to request the redemption or conversion of their shares, free of charge, prior to the effective date the compulsory redemption.

Notwithstanding the powers conferred on the Board of Directors by the first paragraph hereof, the general meeting of shareholders of any one or all class(es) of shares issued in any Subfund may, upon proposal from the

Board of Directors, take the decision to redeem all the shares issued in such class(es) of the Subfund and refund to the shareholders the Net Asset Value of their shares (taking into account actual realisation prices of investments and realisation expenses) calculated as of the Valuation Day at which such decision shall take effect. There shall be no quorum requirements for such general meeting of Shareholders that shall decide by resolution taken by simple majority of those present or represented.

Assets which may not be distributed to an investor upon the implementation of the redemption and/or liquidation proceeds not claimed by the shareholders at the close of the liquidation of a Subfund will be deposited at the Caisse de Consignation in Luxembourg on behalf of the persons entitled thereto. If not claimed, they shall be forfeited in accordance with Luxembourg law.

All the shares taken back in this manner will be cancelled.

MERGER OF SUBFUNDS OR OF ONE SUBFUND WITH ANOTHER UCI

Any merger of a Subfund with another Subfund of the Fund or with another UCITS (whether subject to Luxembourg law or not) shall be decided by the Board of Directors unless the Board of Directors decides to submit the decision for such merger to the meeting of shareholders of the Subfund concerned. In the latter case, no quorum is required for such meeting and the decision for such merger is taken by a simple majority of the votes cast. In case of a merger of a Subfund where, as a result, the Fund ceases to exist, the merger shall, notwithstanding the foregoing, be decided by a meeting of shareholders resolving in accordance with the quorum and majority requirements for the amendment of the articles of association.

Under the same circumstances as mentioned under section "Termination of a Subfund and of a class of shares" above, the Board of Directors may also decide to merge the assets of a class of shares of a Subfund with those of another class of shares of a Subfund within the Fund or within another undertaking for collective investment under Luxembourg law which is subject to the provisions of Part I of the Law; it may also decide to merge the assets of a class of shares of a Subfund with a class of shares of a Subfund of another such undertaking for collective investment and to rename the class(es) of shares concerned as shares of one or more new class(es) (if necessary, after a split or consolidation and after payment – to the shareholders – of all amounts corresponding to a fraction of a share). This decision shall be published in the same manner as described under section "Termination of a Subfund and of a class of shares" (the publication shall list, inter alia, the characteristics of the new class of shares); publication must take place one month before the merger comes into effect in order to allow the shareholders who so wish to have their shares redeemed free of charge or converted free of charge during this period.

Notwithstanding the powers conferred on the Board of Directors above, the shareholders' meeting in the class(es) issued in a Subfund may decide to merge various classes of shares of a Subfund. No quorum requirement applies to such a meeting and the decisions concerned may be taken by a simple majority of the shares present or represented at this meeting.

The above-mentioned merging of assets and liabilities of one class of shares of a Subfund with another undertaking for collective investment or with a class of shares of a Subfund of another such undertaking for collective investment shall be approved by the shareholders of the class(es) in the Subfund or class of shares concerned by a simple majority of the shares present or represented at the meeting concerned.

A decision of the type referred to in the previous two paragraphs shall be published one month before it comes into effect in order to allow the shareholders who so wish to have their shares redeemed or converted at no further expense during this period.

If such a merger takes place with an undertaking for collective investment under Luxembourg law which was established in the form of a mutual fund (*fonds commun de placement*), the decisions of the shareholders' meeting shall be binding solely on the shareholders having voted in favour of the merger.

5. DIVIDEND POLICY

The dividend policy of each of the Subfunds or the classes of shares issued within any Subfund is further described under Section I.

Principle

The general meeting of shareholders of the respective Subfunds shall decide, at the proposal of the Board of Directors and after finalising the annual accounts per Subfund, whether and to what extent distributions are to be paid out of investment income and realised gains after deduction of all fees and expenses. The payment of distributions must not result in the Net Asset Value of the Fund falling below the minimum capital amount prescribed by law.

The Board of Directors may, at its discretion, pay interim dividends.

Payment

Registered shareholders shall be paid by bank transfer in accordance with their instructions.

Entitlements to distributions and allocations not claimed within five years of the due date shall be forfeited and the corresponding assets returned to the respective Subfund. If the Subfund in question has already been liquidated, the distributions and allocations will accrue to the remaining Subfunds of the same Fund in proportion to their respective net assets. At the proposal of the Board of Directors, the general meeting of shareholders of a specific Subfund may decide to issue bonus shares as part of the distribution of net investment income and capital gains.

An income equalisation amount will be calculated so that the distribution corresponds to the actual income entitlement.

6. MANAGEMENT COMPANY

The Board of Directors have appointed RBS (Luxembourg) S.A. as the management company of the Fund (the "Management Company") to be responsible on a day-to-day basis, under supervision of the Board of Directors, for providing administration, marketing and investment management services in respect of all Subfunds. In respect of all Subfunds, the Management Company has delegated its investment management and marketing functions to applicable Investment Managers as more fully described below.

The Management Company has delegated the administration functions to the Administrative Agent and registrar and transfer functions to the Transfer Agent as more fully described below.

The board of directors of the Management Company is composed as follows:

- Kevin Brown, Chairman, Head of Global Product Management, RBS Global Transaction Services, London
- Revel Wood, Chief Operating Officer, Director of Risk Oversight, RBS (Luxembourg) S.A., Luxembourg
- Antonio Thomas, Managing Director, RBS (Luxembourg) S.A., Luxembourg
- Özgül Gülbey, Director, Head of Legal & Compliance, RBS (Luxembourg) S.A., Luxembourg
- Lorna Cassidy, Director, Head of Finance, RBS (Luxembourg) S.A., Luxembourg
- Henry Kelly, Director (Non-Executive), Managing Director of KellyConsult S.à r.l., Luxembourg
- Michael Vareika, (Non-Executive) Director, Director of Companies, Luxembourg.
- Jonathan Carey, (Non-Executive) Director

The Management Company was incorporated as a "*société anonyme*" under the laws of the Grand Duchy of Luxembourg on 10 November 2004 and is approved as a UCITS management company regulated by chapter 15 of the Law. The Management Company is a member of The Royal Bank of Scotland Group ("RBS Group"), which provides services to the U.K. collective investment schemes market, principally in the role of trustee to unit trusts and depositary to investment companies with variable capital.

The Management Company shall also ensure compliance of the Fund with the investment restrictions and oversee the implementation of the Fund's strategies and investment policy.

The Management Company shall also send reports to the Board of Directors on a periodic basis and inform each board member without delay of any non-compliance of the Fund with the investment restrictions.

The Management Company will receive periodic reports from the Investment Manager detailing the Fund's performance and analysing its investment portfolio. The Management Company will receive similar reports from the Fund's other services providers in relation to the services which they provide.

The Management Company also acts as management company for other investment funds. The names of these other funds are available upon request.

Under the fund management company agreement, the Management Company is entitled to charge a fee of up to 0.06% of the net asset value of each Subfund per annum. Such fees shall be calculated and paid on the basis of the last total net assets of each Subfund as of the last Valuation Day of each month. The fee payable is subject to a monthly minimum fee of € 2,500 per Subfund.

The Management Company has adopted various procedures and policies in accordance with Luxembourg laws and regulations (including but not limited to CSSF regulation 10-04 and CSSF circular 12/546). Shareholders may, in accordance with Luxembourg laws and regulations, obtain a summary and/or more detailed information on such procedures and policies upon request and free of charge.

7. CUSTODIAN BANK

The Board of Directors has appointed The Bank of New York Mellon (Luxembourg) S. A. as custodian (the "Custodian") of the assets of all the Subfunds.

The duties of the Custodian are specified by article 33 of the Law.

The Custodian holds cash, securities and other instruments owned by each Subfund in one or more accounts. In particular, the Custodian will:

- * ensure that the sale, issue, redemption, conversion and cancellation of shares effected on behalf of the Fund are carried out in accordance with Luxembourg law and the articles of association;
- * ensure that in transactions involving a Subfund's assets, any consideration due the Subfund is remitted to the Subfund within the customary settlement dates; and
- * ensure that the income attributable to each Subfund is applied in accordance with the articles of association.

Under the custodian agreement, the Custodian is entitled to charge a fee on the Subfund's assets as determined in accordance with the applicable market standards in Luxembourg and is proportionate to the Net Asset Value of each relevant Subfund. The Custodian may have correspondent banks holding certain assets, in particular securities and other instruments traded or listed on exchanges outside of Luxembourg, subject to the Custodian's supervision.

8. ADMINISTRATIVE SERVICES

The Board of Directors has appointed Citco Fund Services (Luxembourg) S.A. as the domiciliary and corporate agent (the "Domiciliary and Corporate Agent") for the Fund. In such capacity, it will be responsible for all corporate agency duties required by Luxembourg law, and in particular for providing and supervising the mailing of statements, reports, notices and other documents to the shareholders, in compliance with the provisions of, and as more fully described in, the agreement mentioned hereinafter.

With the consent of the Board of Directors, the Management Company has appointed Citco Fund Services (Luxembourg) S.A. as the administrative agent (the "Administrative Agent"), registrar and transfer agent (the "Transfer Agent") for the Fund. In such capacity, it will be responsible for all administrative duties required by Luxembourg law, and in particular, pursuant to an administration agreement between the Administrative Agent, the Management Company and the Fund, the Administrative Agent and Transfer Agent will be responsible, under the ultimate supervision of the Board of Directors, for matters pertaining to the administration of the Fund, namely: (a) calculating the Net Asset Value of each Subfund and the shares and preparing monthly financial statements; (b) maintaining the financial books and records of each Subfund; (c) providing registrar and transfer agent services in connection with the issuance, transfer and redemption of the shares; and (d) performing other administrative and clerical services necessary in connection with the administration of the Fund and each Subfund. The Administrative Agent is a service provider to the Fund and does not have any responsibility or authority to make investment decisions, nor render investment advice, with respect to the assets of any Subfund.

The Board of Directors has also appointed Citco Fund Services (Luxembourg) S.A. as the paying agent (the "Paying Agent") for the Fund. In its capacity as Paying Agent of the Fund, Citco Fund Services (Luxembourg) S.A. is in charge of the payment of the dividends to the shareholders of the Fund or of the payment of the dividends to the various paying agents that can be appointed from time to time by the Paying Agent with the approval of the Board of Directors.

Investors must be aware that personal information given on the application form or otherwise in connection with an application to subscribe for Shares and details of their shareholding may be disclosed to the Investment Manager and/or any Sub-Investment Manager(s) and any other companies affiliated to the Investment Manager or Sub-Investment Manager(s) for the purpose of developing and processing the business relationship with the Shareholders.

Investors must be aware that their personal data will be disclosed (i) to Citco Fund Services (Luxembourg) S.A. and any other member of the Citco Group and other parties which intervene in the process of the business relationship (e.g. external processing centers, dispatch or payment agents), including companies based in countries where data protection laws might not exist or be of a lower standard than in the European Union or (ii)

when required by law or regulation (Luxembourg or otherwise). Such disclosure of personal data to Citco Fund Services (Luxembourg) S.A. and any other company within the Citco Group will allow the investor access inter alia to information regarding such investor's shareholding in the Fund through a secure web-enabled Citco Group information system.

9. INVESTMENT MANAGERS/SUB-INVESTMENT MANAGERS/INVESTMENT ADVISORS

With the consent of the Fund, the Management Company has appointed the Investment Manager with regard to the portfolio management of the Subfunds. The portfolio management comprises the active management of the Subfund's assets and the ongoing monitoring and adjusting of investments. The mandate is executed under the supervision and the responsibility of the Board of Directors.

The Investment Manager, with the prior approval of the Management Company, the CSSF and the Fund, may appoint Sub-Investment Managers or Investment Advisors to provide portfolio management services or investment recommendations, for instance, relating to the asset allocation between the permitted investment instruments.

The name and description of any Investment Manager, Sub-Investment Managers and Investment Advisors, as well as the fees they are entitled to be paid out of the assets of the Fund are further described under Section I.

The rights and duties of any Sub-Investment Manager will each time be set forth in an agreement to be entered into with the Investment Manager and the applicable Sub-Investment Manager in accordance with applicable laws as further detailed in the relevant Subfund Particular(s).

10. DISTRIBUTOR

The Management Company with the consent of the Fund has appointed Gottex Asset Management (UK) Limited to act as a worldwide distributor for the Fund and the Subfunds (the "Distributor"). Under the terms of the Distribution Agreement between the Management Company, the Fund and the Distributor, the Distributor has agreed to use its best efforts to promote the distribution of Shares and to advise the Fund of actions which would be advantageous to the Fund in distributing the Shares. The Distributor may, with the consent of the Management Company, appoint one or more sub-distributors.

The Distributor is obliged to carry out its duties in accordance with applicable laws and shall assist investors and/or financial intermediaries to make applications for Shares in accordance with the terms and conditions laid down in the Prospectus. The Distributor will also provide such administrative or other support as may be required by the Management Company to enable it to comply with regulatory requirements applicable to the distribution of the Shares in relevant jurisdictions.

Shareholders may subscribe directly to the Fund without having to go through a distributor or sub-distributor.

Local regulations in EU Member States may, from time to time, require the appointment of paying agents and/or other local agents and the maintenance of accounts by such agents through which subscriptions and redemption monies may be paid. The fees of any such intermediate entity will be at normal commercial rates and will be borne by the Shareholders who will avail of the services provided by such agent. In certain circumstances such fees may be borne by the Fund out of the assets of the relevant Subfund. In such circumstances, the agreement appointing such local intermediary will provide either that all Shareholders may avail of the services provided by such agent or that the fee will only be payable out of the Net Asset Value attributable to the class or classes of shares of the Subfund in respect of which Shareholders are entitled to avail of such services.

Investors who choose or are obliged under local regulations to pay/receive subscription/redemption monies via such an intermediary entity rather than directly to or from the Custodian (e.g. a sub-distributor or agent in the local jurisdiction) will bear a credit risk against that intermediate entity with respect to (a) subscription monies prior to the transmission of such monies to the Custodian and (b) redemption monies payable by such intermediate entity to the relevant investor.

11. TAXATION

The statements on taxation below are intended to be a general summary of certain Luxembourg tax consequences that may result to the Fund and shareholders. The statements relate to shareholders holding Shares as an investment (as opposed to an acquisition by a dealer) and are based on advice received by the Board of Directors regarding the law and practice in force in Luxembourg at the date of this Prospectus. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment in the Fund is made will endure indefinitely.

Prospective shareholders should familiarise themselves with and, where appropriate, take advice on the laws and regulations (such as those relating to taxation and exchange controls) applicable to the subscription for, and the holding and realisation of, Shares in the places of their citizenship, residence and domicile. The tax consequences for each shareholder of acquiring, holding, redeeming or disposing of Shares will depend upon the relevant laws of any jurisdiction to which the shareholder is subject. Prospective investors should seek their own professional advice as to such tax consequences, as well as to any relevant exchange control or other laws and regulations.

The Fund may be subject to local withholding taxes in respect of income or gains derived from its investments in underlying investee countries. Taxation law and practice and the levels and bases of and reliefs from taxation relating to the applicable Subfund and to its shareholders may change from time to time.

1. Taxation under Luxembourg Law

Taxation of the Fund

According to the law and practice currently in force in the Grand Duchy of Luxembourg, the Fund is not liable to any Luxembourg withholding tax, income, capital gains or wealth taxes. The Fund is, however, liable in Luxembourg to a tax of 0.05% per annum ("*Taxe d'Abonnement*") of its Net Asset Value. Such tax rate is reduced to 0.01% in respect of classes of shares or Subfunds which are reserved for institutional investors as defined from time to time by the competent Luxembourg Supervisory Authority. No such tax is due on the portion of a Subfund's investments in Luxembourg undertakings for collective investment which are themselves subject to such tax. Such taxes are payable quarterly on the basis of the Net Asset Value at the end of the relevant calendar quarter.

Taxation of shareholders

Subject to the provisions under "European Taxation" below, shareholders are not subject to any capital gains, income, withholding, gift, estate, inheritance or other tax in Luxembourg, except for those domiciled, resident or having a permanent establishment in Luxembourg. The following summary is based on the law and practice currently in force in the Grand Duchy of Luxembourg and is subject to changes therein.

Potential shareholders should seek information on the laws and regulations in force and, where appropriate, seek advice on the subscription, purchase, possession and sale of shares at their place of residence.

2. European Taxation

The Council of the EU has adopted on 3rd June 2003 Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the "Directive"). Under the Directive, Member States of the EU are required to provide the tax authorities of another EU Member State with information on payments of interest or other similar income paid by a paying agent (as defined by the Directive) within its jurisdiction to an individual resident in that other EU Member State. Austria and Luxembourg had opted instead for a tax withholding system for a transitional period in relation to such payments. Switzerland, Monaco, Liechtenstein, Andorra, San Marino, the Channel Islands, the Isle of Man and the dependent or associated territories in the Caribbean, have also introduced measures equivalent to information reporting or, during the above transitional period, withholding tax.

The Directive has been implemented in Luxembourg by a law dated 21st June 2005 (the "Savings Directive Law").

Dividends distributed by a Subfund of the Fund will be subject to the Directive and the Savings Directive Law if more than 15% of such Subfund's assets are invested in debt claims (as defined in the Savings Directive Law) and proceeds realised by shareholders on the redemption or sale of shares in a Subfund will be subject to the Directive and the Savings Directive Law if more than 25% of such Subfund's assets are invested in debt claims (such Subfunds, hereafter "Affected Subfunds").

The applicable withholding tax is at a rate of 35% since 1st July 2011.

Consequently, if in relation to an Affected Subfund a Luxembourg paying agent makes a payment of dividends or redemption proceeds directly to a shareholder who is an individual resident or deemed resident for tax purposes in another EU Member State or certain of the above mentioned dependent or associated territories, such payment will, subject to the next paragraph below, be subject to withholding tax at the rate indicated above.

No withholding tax will be withheld by the Luxembourg paying agent if the relevant individual either (i) has expressly authorised the paying agent to report information to the tax authorities in accordance with the provisions of the Savings Directive Law or (ii) has provided the paying agent with a certificate drawn up in the format required by the Savings Directive Law by the competent authorities of his State of residence for tax purposes.

The Fund reserves the right to reject any application for shares if the information provided by any prospective investor does not meet the standards required by the Savings Directive Law as a result of the Directive.

The foregoing is only a summary of the implications of the Directive and the Savings Directive Law, is based on the current interpretation thereof and does not purport to be complete in all respects. It does not constitute investment or tax advice and Investors should therefore seek advice from their financial or tax adviser on the full implications for themselves of the Directive and the Savings Directive Law.

12. CHARGES AND EXPENSES

Each Subfund is subject to an "Investment Management Fee" and, as applicable, an "Incentive Fee", in each case as described under Section I "Description of the Available Subfunds".

Each Subfund will incur, in addition, the following costs:

- management company fees described in section 6;
- custody and administrative services fees as described in sections 7 and 8;
- all taxes which are levied on the net assets and the income of the Fund, particularly the "*taxe d'abonnement*";
- directors' fees;
- customary brokerage fees and commissions which are charged by banks and brokers for securities transactions and similar transactions;
- costs in connection with registration of the Fund in other jurisdictions. These costs comprise costs such as translation costs for the prospectus, as well as the key investor information document and articles of association, fees of registration, costs of advice concerning the registration in the relevant country;
- costs for external audit;
- costs for ongoing legal services (including but not limited to legal expenses payable in consideration for services provided by the legal advisors to the Fund and/or by the legal department of the Investment Manager, any affiliate thereof or any other entity);
- costs for extraordinary measures carried out in the interests of the shareholders, such as expert opinions and legal proceedings, etc.; and
- the costs incurred in the initial set up and launch of the Fund, as well as the cost of launching new Subfunds and other extraordinary expenses may be amortised off over a period of up to five years. The costs incurred in the initial set up and launch of the Fund will be borne by the Subfund first created. The costs of launching new Subfunds will be borne by the relevant Subfunds.

Fees and expenses attributable to a Subfund will be borne by such Subfund.

Fees and expenses that cannot be attributed to a specific Subfund will be prorated on basis of the Net Asset Value of each Subfund or, if appropriate, on the issued shares of all classes of the Fund on an equal basis. In certain cases, such as when Subfunds are launched or liquidated a given year, fees and expenses that cannot be attributed to a specific Subfund will be prorated based on how long such Subfund was in existence that given year.

13. INFORMATION AVAILABLE TO SHAREHOLDERS

The financial statements of the Fund will be prepared in accordance with Luxembourg GAAP, and the audited annual report will be made available to shareholders free of charge at the registered office of the Fund within four months of the end of the financial year. The annual report includes reports on the Fund in general and on the individual Subfunds. Un-audited semi-annual reports of the Subfunds will be made available at the same place as the annual reports within two months of the end of the period to which they refer. The first report was an audited annual report as of 31 December 2010.

Other information on the Fund, as well as on the Net Asset Value and the issue, conversion and redemption prices of the Fund's shares may be obtained on any Business Day at the registered office of the Fund. If necessary, any information relating to a suspension or resumption of the calculation of the Net Asset Value, the issue or redemption price as well as all notifications to shareholders will be published in the *Mémorial* and in a Luxembourg daily newspaper, and, if necessary in the different distribution countries.

The material agreements with the service providers of the Fund referred to in this Prospectus may be inspected during usual business hours on any Business Day at the registered office of the Fund.

Copies of the articles of association, this Prospectus, the key investor information documents as well as the latest annual and semi-annual reports may be obtained free of charge at the registered office of the Fund and at the following webpage: www.gottexfunds.com/ucits/index.

14. INVESTMENT GUIDELINES

INVESTMENT RESTRICTIONS

The Board of Directors shall, based upon the principle of spreading of risks, have power to determine the investment policy for the investments of each Subfund. Except to the extent that more restrictive rules are provided for in connection with a specific Subfund as set out in the description for that Subfund, the investment policy shall comply with the rules and restrictions set out below. For the purpose of these investment restrictions, "Regulated Market" shall mean a market defined in article 4 paragraph 1 item 14 of the directive 2004/39/CE of the European Parliament and of the Council of 21st April 2004 on markets in financial instruments as well as any other market which is regulated, operates regularly and is recognised and open to the public.

The Fund's investments shall be subject to the following guidelines:

- (1) (a) Investments in the Subfunds may consist of:
 - (i) Transferable securities and money market instruments admitted to official listing on a stock exchange; and/or
 - (ii) Transferable securities and money market instruments dealt in on another Regulated Market; and/or
 - (iii) Recently issued transferable securities and money market instruments, provided that the terms of issue include an undertaking that application will be made for admission to official listing on a Regulated Market and such admission is secured within a year of the issue; and/or
 - (iv) Units of UCITS authorised according to the Directive 2009/65/EC and/or other undertakings for collective investment ('UCI') within the meaning of the first and second indent of article 1, paragraph (2) of the Directive 2009/65/EC, whether situated in an EU Member State or not, provided that:
 - such other UCIs have been authorised under the laws of any member country of the European Union or under the laws of those countries provided that they are subject to supervision considered by the CSSF to be equivalent to that laid down in European Community law and that cooperation between authorities is sufficiently ensured, or,
 - the level of protection for unitholders in such other UCIs is equivalent to that provided for unitholders in a UCITS, and in particular that the rules on assets segregation, borrowing, lending, and uncovered sales of Transferable Securities and money market instruments are equivalent to the requirements of the amended UCITS Directive,
 - the business of such other UCIs is reported in half-yearly and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period,

- no more than 10% of the assets of the UCITS or of the other UCIs, whose acquisition is contemplated, can, according to their constitutional documents, in aggregate be invested in units of other UCITS or other UCIs; and/or
 - (v) Deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in a country which is an EU Member State or if the registered office of the credit institution is situated in a non-EU Member State provided that it is subject to prudential rules considered by the Luxembourg regulator as equivalent to those laid down in European Community law; and/or
 - (vi) Financial derivative instruments, including equivalent cash-settled instruments, dealt in on a Regulated Market referred to in sub-paragraphs (i) and (ii) above, and/or financial derivative instruments dealt in over-the-counter ('OTC derivatives'), provided that:
 - the underlying consists of instruments covered by this section (1) (a), financial indices, interest rates, foreign exchange rates or currencies, in which the Subfunds may invest according to their investment objective;
 - the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the Luxembourg supervisory authority;
 - the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Board of Director's initiative.
- and/or
- (vii) Money market instruments other than those dealt in on a Regulated Market, if the issuer or the issuer of such instruments are themselves regulated for the purpose of protecting investors and savings, and provided that such instruments are:
 - (a) issued or guaranteed by a central, regional or local authority or by a central bank of an EU Member State, the European Central Bank, the EU or the European Investment Bank, a non-EU Member State or, in case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more EU Member States belong; or
 - (b) issued by an undertaking, any securities of which are dealt in on Regulated Markets referred to in (1) (a) (i) and (ii) above; or
 - (c) 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 Luxembourg regulator to be at least as stringent as those laid down by Community law; or
 - (d) 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 a. b. or c. above and provided that the issuer is a company whose capital and reserves amount to at least ten million Euro (EUR 10,000,000) and which presents and publishes its annual accounts in accordance with the fourth Directive 78/660/EEC, is an entity which, within a group of companies, 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.
 - (b) Each Subfund may invest a maximum of 10% of its net assets in Transferable Securities and money market instruments other than those referred to under (a) above.
- (2)
- (a) Each Subfund may hold ancillary liquid assets.
 - (b) The Fund will ensure that each Subfund's global exposure relating to derivative instruments does not exceed the total net value of the relevant Subfund's portfolio.

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

The Fund may invest, as a part of the investment policy of its Funds and within the limits laid down in paragraph (3) (a) (v) and (vi) in financial derivative instruments provided that the exposure to the underlying assets does not exceed in aggregate the investment limit laid down in paragraph (3). When the Fund on the behalf of any of its Subfunds invests in index-based financial derivative instruments, these investments do not have to be combined to the limits laid down in paragraph (3).

When a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the requirements of this item 2.

- (3) (a) (i) The Fund will invest no more than 10% of the net assets of any Subfund in transferable securities or money market instruments issued by the same issuing body.
- The Fund may not invest more than 20% of the total net assets of such Subfund in deposits made with the same body.
- The risk exposure to a counterparty of a Subfund in an OTC derivative transaction may not exceed 10% of its net assets when the counterparty is a credit institution referred to in (1) (a) (v) above or 5% of its net assets in other cases.
- (ii) The total value of the transferable securities and money market instruments held by the Fund on behalf of the Subfund in the issuing bodies in each of which it invests more than 5% of the net assets of such Fund must not exceed 40% of the Net Asset Value of such Fund.
- This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.
- Notwithstanding the individual limits laid down in paragraph (3) (a) (i), the Fund may not combine for each Subfund:
- investments in transferable securities or money market instruments issued by, and/or
 - deposits made with, and/or
 - exposures arising from OTC derivative transactions undertaken with a single body,
- in excess of 20% of its net assets.
- (iii) The limit of 10% laid down in sub-paragraph (3) (a) (i) above will be increased to a maximum of 35% in respect of transferable securities or money market instruments which are issued or guaranteed by an EU Member State, its local authorities or agencies, or by a non-EU Member State or by public international bodies of which one or more EU Member States are members.
- (iv) The limit laid down in the first paragraph of (3) (a) (i) may be of a maximum of 25% for certain debt instruments when they are issued by a credit institution which has its registered office in the EU and is subject by law, to special public supervision designed to protect unitholders. In particular, sums deriving from the issue of these debt instruments must be invested in accordance with the law, in assets which, during the whole period of validity of the debt instruments, are capable of covering claims attached to said instruments and which, in case of bankruptcy of the issuer, would be used on a priority basis for the repayment of the principal and payment of accrued interest.
- If a Subfund invests more than 5% of its net assets in the debt instruments referred to in the above paragraph and issued by one issuer, the total value of such investments may not exceed 80% of the Net Asset Value of the Subfund.
- (v) The transferable securities and money market instruments referred to in paragraphs (iii) and (iv) above shall not be included in the calculation of the limit of 40% stated in paragraph (3) (a) (ii) above.
- (vi) The limits set out in sub-paragraphs (i), (ii), (iii) and (iv) may not be aggregated and, accordingly, investments in transferable securities or money market instruments issued by the same issuing body, in deposits or derivative instruments made with this

body carried out in accordance with sub-paragraphs (i), (ii), (iii) and (iv) above may not, in any event, exceed a total of 35% of any Fund's net assets;

Companies which are part of the same group for the purposes of the establishment of consolidated accounts, as defined in accordance with directive 83/349/EEC or in accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the limits contained in section (3) (a).

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

- (b) (i) Without prejudice to the limits laid down in section 4 below, the limits laid down in section (3) (a) above are raised to a maximum of 20% for investments in shares and /or debt securities issued by the same body when, according to the Prospectus, the aim of the any Subfunds' investment policy is to replicate the composition of a certain stock or debt securities index which is recognised by the CSSF, on the following basis:
- the composition of the index is sufficiently diversified,
 - the index represents an adequate benchmark for the market to which it refers, and
 - it is published in an appropriate manner.
- (ii) The limit laid down in (3) (b) (i) above is raised to 35% where that proves to be justified by exceptional market conditions in particular in Regulated Markets where certain transferable securities or money market instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.
- (iii) **Notwithstanding the provisions outlined in section (3) (a), the Fund is authorised to invest up to 100% of the net assets of any Subfund, in accordance with the principle of risk spreading, in transferable securities and money market instruments issued or guaranteed by an EU Member State, by its local authorities or agencies, or by an OECD member state or Singapore, Brazil, Russia, Indonesia or South Africa, or by public international bodies of which one or more EU Member States are members, provided that such Subfund must hold securities from at least six different issues and securities from one issue do not account for more than 30% of the total net assets of such Fund.**
- (4) (a) The Fund may not acquire:
- (i) Shares carrying voting rights which should enable it to exercise significant influence over the management of an issuing body; or
 - (ii) More than:
 - (a) 10% of the non-voting shares of the same issuer; and/or
 - (b) 10% of the debt securities of the same issuer; and/or
 - (c) 25% of the units of the same UCITS and/or other UCI;
 - (d) 10% of the money market instruments of the same issuer; and/or
- The limits under (4) (a) (ii) (b, c and d) may be disregarded at the time of acquisition, if at that time the gross amount of the debt securities, or of money market instruments or units or the net amount of the instruments in issue cannot be calculated.
- (b) Paragraphs (4) (a) (i) and (4) (a) (ii) above are waived as regards:
- (i) Transferable securities and money market instruments issued or guaranteed by an EU Member State or its local authorities;
 - (ii) Transferable securities and money market instruments issued or guaranteed by a non-member state of the EU;
 - (iii) Transferable securities and money market instruments issued by public international bodies of which one or more EU Member States are members;

- (iv) Shares held by a Subfund in the capital of a company incorporated in a non-member state of the EU which invests its assets mainly in the securities of issuing bodies having their registered office in that State, where under the legislation of that state, such a holding represents the only way in which the Subfund can invest in the issuing bodies of that State. This derogation, however, shall apply only if in its investment policy the company from the non-Member State of the EU complies with the limits laid down in (3) (a), (4) (a) (i) and (ii), and (5).
 - (v) Shares held by the Fund in the capital of subsidiary companies which, exclusively on the Fund's behalf carry on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the redemption of Shares at the request of Shareholders. Upon the acquisition by the Fund of shares in a subsidiary, this Prospectus will be updated.
- (5)
- (a) Subject to the limitation set forth in (f) below, a Subfund may acquire units of the UCITS and/or other UCIs as defined under paragraph (1) (a) (iv).
 - (b) No more than 20% of a Subfund's net assets may be invested in the units of a single UCITS or other UCI. For the purpose of the application of this investment limit, each compartment of a UCITS or UCI with multiple compartments is to be considered as a separate issuer provided that the principle of segregation of the obligations of the various compartments vis-à-vis third parties is ensured.
 - (c) Investments made in units of UCIs other than UCITS may not in aggregate exceed 30% of the net assets of a Subfund.
 - (d) 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 another company with which the management company is linked by common management or control, or by a substantial direct or indirect holding, the management company or such other company may not charge subscription or redemption fees on account of the Fund's investments in the units of such UCITS or other UCIs.

In respect of a Subfund's investments in UCITS and other UCIs linked to the management company as described in the preceding paragraph, either no management fee (excluding any performance fee) is charged by the Subfund to that portion of the asset invested in UCITS and other UCIs linked to the Fund or a reduced management fee of maximum 0.25% may be charged to the Fund. Alternatively, where a Fund invests in UCITS and other UCIs linked to the management company that have a lower management fee than the Fund, the difference between the percentage of the Subfund's management fee and the UCITS and UCIs management fee may be charged to that portion of assets invested in such UCITS and UCIs. The Fund will indicate in its annual report the total management fee charged both to the relevant Subfund and to the UCITS and other UCIs in which such Subfund has invested during the relevant period. The maximum total accumulated management fee will be 4%.
 - (e) The underlying investments held by the UCITS or other UCIs in which the Fund invests do not have to be considered for the purpose of the investment restrictions set forth under (3) (a) above.
 - (f) Unless otherwise stated in its relevant investment policy, a Subfund will not invest more than 5% of its net assets in units of UCITS or other UCIs.
- (6) In addition the Fund will not:
- (a) Make investments in – or enter into transactions involving – precious metals, commodities, commodities contracts, or certificates representing these;
 - (b) purchase or sell real estate or any option, right or interest therein, provided the Fund may invest in transferable securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein;
 - (c) carry out uncovered sales of transferable securities or other financial instruments, money market instruments or UCITS and/or other UCIs referred to above;
 - (d) Make loans to – or act as guarantor on behalf of – third parties, provided that for the purpose of this restriction, are allowed:

- (i) the acquisition of eligible investments in fully or partly paid form and the permitted lending of portfolio securities and
 - (iii) this restriction shall not prevent the Fund from acquiring transferable securities, money market instruments or other financial instruments referred to in paragraph (1) (a) (iv), (vi) and (vii), which are not fully paid.
 - (e) borrow for the account of any Subfund amounts in excess of 10% of the total net assets of that Subfund taken at market value, any such borrowings to be from banks and to be effected only as a temporary measure for exceptional purposes including the redemption of Shares. However, the Fund may acquire foreign currency by means of a back-to-back loan;
 - (f) make investments in any transferable securities involving the assumption of unlimited liability.
- (7) To the extent that an issuer is a legal entity with multiple compartments where the assets of a compartment are exclusively reserved to the investors in such compartment and to those creditors whose claim has arisen in connection with the creation, operation or liquidation of that compartment, each compartment is to be considered to be a separate issuer for the purpose of the application of the risk-spreading rules set out in (3) (a), (3) (b) (i) and (ii), and (5) above.
- (8) During the first six months following its launch, a new Subfund may derogate from restrictions (3) and (5) while ensuring observance of the principle of risk-spreading.
- (9) The Fund will in addition comply with such further restrictions as may be required by the regulatory authorities of the countries in which the shares are marketed.

A Subfund (the "Investing Subfund") may subscribe, acquire and/or hold securities to be issued or issued by one or more Subfunds (each, a "Target Subfund") without the Fund being subject to the requirements of the Law of 10 August 1915 on commercial companies, as amended, with respect to the subscription, acquisition and/or the holding by a company of its own shares, under the condition however that:

- the Target Subfund does not, in turn, invest in the Investing Subfund invested in this Target Subfund; and
- no more than 10% of the assets that the Target Subfund whose acquisition is contemplated, may, according to its investment policy, be invested in units of other UCITS or other UCIs; and
- the Investing Subfund may not invest more than 20% of its net assets in units of a single Target Subfund; and
- voting rights, if any, attaching to the units of the Target Subfund are suspended for as long as they are held by the Investing Subfund concerned and without prejudice to the appropriate processing in the accounts and the periodic reports; and
- for as long as these securities are held by the Investing Subfund, their value will not be taken into consideration for the calculation of the net assets of the Fund for the purposes of verifying the minimum threshold of the net assets imposed by the Law; and

there is no duplication of management/subscription or repurchase fees between those at the level of the Investing Subfund having invested in the Target Subfund, and this Target Subfund.

The Fund need not comply with the investment limit percentages when exercising subscription rights attached to transferable securities or money market instruments which form part of its assets.

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

FINANCIAL DERIVATIVES AND TECHNIQUES AND INSTRUMENTS

The use of financial derivatives or techniques and instruments may not cause the Fund to deviate from the investment objectives set out in the description of the Subfunds in Section I.

Financial derivatives include transactions in financial futures contracts and options thereon. The Subfunds may also engage in transactions in options and warrants on portfolio securities, on bond and stock indices and on portfolios of indices. The Subfunds may seek to hedge their investments against currency fluctuations which are adverse to the respective currencies in which these Subfunds are denominated by utilising currency options,

futures contracts and forward foreign exchange contracts. In this regard, the currency exposure of a Subfund may be managed with reference to the market benchmark used for the investments of such Subfund. In that case, the benchmark will be disclosed in the description of the relevant Subfund. The currency exposure resulting from such benchmark may or may not be hedged against the reference currency of the Subfund. Within the limits set out herein, each Subfund may also use forward foreign exchange contracts, currency options or currency swaps to alter the currency composition of the Subfund's portfolio with reference to such benchmarks.

The Subfunds may sell interest rate futures contracts, write call options or purchase put options on interest rates or enter into swap agreements for the purpose of hedging against interest rate fluctuations.

Each Subfund may also for a purpose other than hedging, purchase and sell futures contracts and options on any kind of financial instruments within the limitations specified in the investment restrictions referred to above.

The Subfund may enter into swap contracts in which the Fund and the counterparty agree to exchange payments where one or both parties pay the returns generated by a security, instrument, basket or index thereof. The payments made by the Subfund to the counterparty and vice versa are calculated by reference to a specific security, index, or instruments and an agreed upon notional amount. The relevant indices include, but are not limited to, currencies, interest rates, prices and total return on interest rates indices, fixed income indices and stock indices.

If any Subfund intends to invest in financial derivatives on a regular and ongoing, basis, the relevant derivatives will be described more specifically in the periodic reporting to shareholders.

The Fund, in order to generate additional revenue for Shareholders, may engage in securities lending transactions subject to complying with the provisions set forth in CSSF Circular 08/356 and 11/512. Cash collateral received by the Fund in relation to these transactions will not be reinvested.

The Fund may enter, either as purchaser or seller, into repurchase agreements with highly rated financial institutions specialised in this type of transaction. During the term of the repurchase transactions, the Fund may not sell the securities which are the object of the transaction (i) either before the repurchase of the securities by the counterparty has been carried out or (ii) the repurchase period has expired. The Fund must ensure it restricts the value of purchased securities subject to repurchase obligation at such a level that it is able, at all times, to meet its obligations to redeem its own Shares. Repurchase agreements will only be entered into on an ancillary basis unless otherwise provided for in the description of the relevant Subfund.

Use of the aforesaid techniques and instruments involves certain risks and there can be no assurance that the objective sought to be obtained from such use will be achieved.

RISK MANAGEMENT PROCESS

In accordance with applicable laws and regulations, and in particular CSSF regulation No. 10-4 transposing Commission Directive 2009/65/EC of the European Parliament and of the Council as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company, CSSF circular 11/512, CSSF circular 12/546 and the ESMA guidelines on risk measurement and the calculation of global exposure and counterparty risk for UCITS, the Management Company employs a risk-management process, which enables the Management Company to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of the portfolio. The Management Company, on behalf of the Fund will employ, if applicable, a process for accurate and independent assessment of the value of any OTC derivative instruments.

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

The global exposure of each Subfund will be calculated by using either the Value-at-Risk (VaR) methodology or the "commitment approach". The Management Company has determined that the Fund will, as a default, use the absolute Value-at-Risk (VaR) for each Subfund unless otherwise provided in the relevant section of a specific Subfund.

In addition, and unless otherwise provided in the relevant section of a specific Subfund, the Management Company on behalf of the Fund will calculate the leverage ratio of each Subfund by using the commitment approach.

The Value-at-Risk (VaR) is a statistical model which intends to quantify the maximum potential loss at a given confidence level (probability) over a specific time period under "normal" market conditions. The leverage ratio measures in particular the usage of financial derivatives within the portfolio.

The leverage ratio calculation and the VaR calculation, the back-testing, as well as exposure limits on counterparties and issuer concentration shall comply at all times with the rules set forth in the latest relevant European and/or Luxembourg applicable laws and/or regulations. For details in relation to the methods used by each Subfund to calculate the global exposure and the leverage ratio, please refer to the relevant section of a specific Subfund.